



# OREGON UNIVERSITY SYSTEM



# 2010 ANNUAL FINANCIAL REPORT

EASTERN OREGON UNIVERSITY   OREGON INSTITUTE OF TECHNOLOGY  
OREGON STATE UNIVERSITY   PORTLAND STATE UNIVERSITY  
SOUTHERN OREGON UNIVERSITY   UNIVERSITY OF OREGON   WESTERN OREGON UNIVERSITY



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# OREGON UNIVERSITY SYSTEM 2010 ANNUAL FINANCIAL REPORT



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## SYSTEM UNIVERSITIES

**EASTERN OREGON UNIVERSITY**—EOU was founded in 1929 as a teachers college and today serves its regional mission through programs in the liberal arts; professional programs in business, education, and community service; and cooperative programs in agriculture and nursing. EOU is located in La Grande, Oregon.

**OREGON INSTITUTE OF TECHNOLOGY**—OIT, the Northwest’s only polytechnic institution, was founded in 1947 and serves the state with programs in engineering and health technologies, engineering, management, and the arts and sciences. OIT is located in Klamath Falls, Oregon and offers statewide opportunities with an expanding presence in the Portland metro area.

**OREGON STATE UNIVERSITY**—OSU, one of only two universities in the country to hold land, space, sea, and sun grant designations, was founded in 1858 and provides programs in the liberal arts and sciences, and professional programs in agricultural sciences, business, education, engineering, forestry, health and human sciences, oceanography, pharmacy, and veterinary medicine. OSU is located in Corvallis, Oregon. OSU-Cascades Campus, in Bend, Oregon, opened in Fall 2001 as a branch campus on the site of its major partner, Central Oregon Community College.

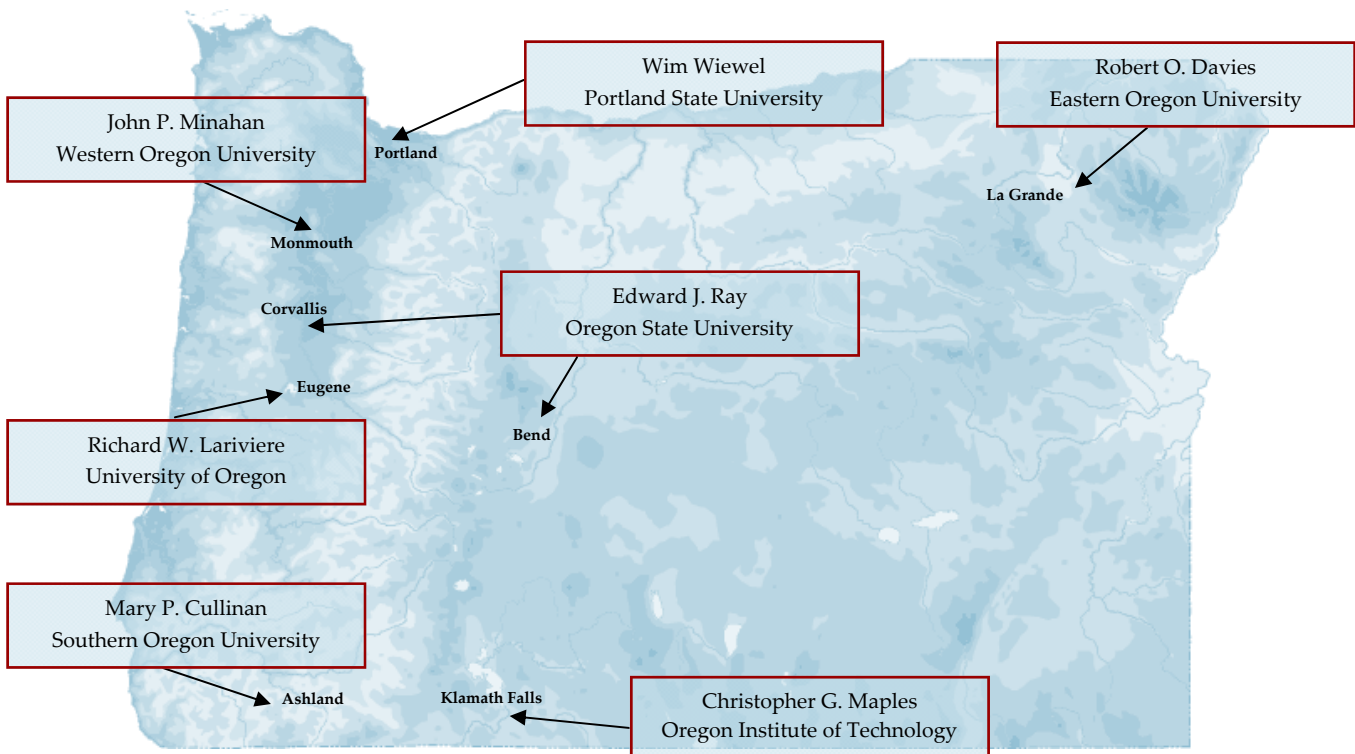
**PORTLAND STATE UNIVERSITY**—PSU, located in downtown Portland, Oregon, is an urban university founded in 1946 and offers liberal arts and sciences programs and professional programs in business, education, engineering, health, performing arts, social work, and urban and public affairs.

**SOUTHERN OREGON UNIVERSITY**—SOU, located in Ashland, Oregon, was founded in 1882 and provides liberal arts and sciences programs; professional programs in business, education, and performing arts; and a cooperative program in nursing.

**UNIVERSITY OF OREGON**—UO was founded in 1876 and is a major liberal arts and sciences university with professional programs in architecture and allied arts, business, education, journalism, law, music and performing arts, and planning and public policy. UO is located in Eugene, Oregon.

**WESTERN OREGON UNIVERSITY**—WOU was founded in 1856 as a teachers college and provides programs in liberal arts and sciences and professional programs in education, business, and public services. WOU is located in Monmouth, Oregon.

## UNIVERSITY PRESIDENTS





# OREGON UNIVERSITY SYSTEM ANNUAL FINANCIAL REPORT

## MESSAGE FROM THE CHANCELLOR

Over the last year, the Oregon University System (OUS) has faced some of our greatest challenges, yet it has met these with energy, creativity, and prudent management of our financial and academic portfolios. It was also a year in which we developed an innovative plan to restructure the governance of the OUS as a means to help ensure the continued ability to meet our mission of access to higher education for all Oregonians.

### MEETING CHALLENGES AND MOVING FORWARD

Oregon's and the nation's recession hit students and families hard, impacted industries and jobs, and inserted a level of uncertainty and instability into the landscape which set the context for decision making and forward planning. While the 2009-2011 state general fund appropriation for OUS has decreased 11.6%, from \$791.5 million in 2007-2009 to \$699.7 million in the 2009-2011 appropriation (including the state budget cuts after the close of the 2009 Legislative Session, and excluding federal stimulus), record enrollment demand enabled the universities to continue to provide high quality academic programs and support services through use of tuition revenue and a variety of cost controls, including departmental consolidations, salary reduction measures, and savings which have accrued through more efficient energy use from green building and renovation.

The State Board of Higher Education and the universities also focused intently on ensuring that public higher education remains affordable for Oregonians, even in the midst of state need-based aid cuts, lower state appropriations, and the struggles of students and families, some of whom faced lower incomes due to unemployment and other financial challenges. Although tuition increased an average of 5% at the small campuses and 8% at the large campuses due to appropriation cuts, these increases were much lower than those of our Western neighbors; and were offset by each campus setting aside a large portion of increased tuition revenue to provide need-based financial aid to the hardest hit students. In addition, as the Oregon Opportunity Grant was cut, campuses again stepped up and increased their institutional aid to the highest extent possible in order that no student was shut out because of tuition increases. We are very proud of the outstanding effort that our universities have made to ensure student access and affordability despite the challenging economic times.

### OUS PERFORMANCE HIGHLIGHTS FOR 2009-10

- OUS witnessed extraordinary growth over the past two academic years. Total enrollment grew by over 9,300 students during that time, reaching an all-time high of 91,580 at 4<sup>th</sup> week fall 2009. This two-year growth rate of 11.3% is the largest increase since fall 2001 and fall 2002. While the economy certainly accounts for some percentage of the enrollment increase, other factors include the successful transfer programs and relationships that OUS has with the 17 Oregon community colleges; growing numbers of college-age young adults in the Oregon population; and greater awareness of the need for a college degree in order to compete in the knowledge economy.
- Graduate student enrollment—largely stagnant between 2002 and 2007—increased 3.9% to 16,137, the second consecutive year of significant growth.
- A gradual shift in the composition of the OUS student population continues, with more undergraduate enrollment attributable to transfer students and the representation of students of color growing to 17.8%.
- Retention rates improved at six of the seven OUS campuses despite the record enrollment of first-time freshmen in fall 2008. Freshman retention within OUS reached a record high of 81.7% this year. Additionally, the average time to degree decreased for the fifth consecutive year to 4.56 years in 2009.
- While the total number of degrees awarded grew at only a small rate, the number of doctoral awards increased 13.6% in 2009 to a record high of 419. Overall, annual degree awards have increased 27.5% since 2000-01.
- In spite of tightening resources nationally, OUS institutions saw increases in federal and other grant support for research and innovation projects, with research expenditures increasing 9.7%, from \$328 million in FY 2008 to almost \$360 million in FY



GEORGE PERNSTEINER

## MESSAGE FROM THE CHANCELLOR—CONTINUED

2009. We are proud to report that OUS faculty (including Oregon Health & Science University) rank 5<sup>th</sup> in the nation in federal research grant expenditures, an enormous accomplishment for a state that remains in the bottom ten for per student spending on postsecondary education. OUS research expenditures have increased 77.2% since FY 2000.

Areas that OUS, its universities, and the Board of Higher Education are watching and working on for improvement include:

- Graduation rates declined in 2008-09 to 58.9%—nearly a full percentage point below the record high of 59.7% in 2006-07. Historically underserved populations such as students of color or students from rural areas of the state continue to graduate at lower rates.
- The ratio of students to full-time faculty increased for a second consecutive year to 26.9 to 1 in response to record enrollment growth. After reaching a high of 27.9 in 2004 and triggering a concerted improvement effort, the ratio declined to 25.1 before rising again to its current level.
- Net assets of OUS foundations decreased 16.7% in FY09—due primarily to market devaluations resulting from the global recession and planned capital expenditures.

### ADVANCING ACCESS, QUALITY AND INNOVATION IN OREGON HIGHER EDUCATION

The Board's Academic Strategies Committee worked very hard during the year to identify priority recommendations needing particular focus during 2009-10 and beyond. These broad areas and priority topics, flowing from Board goals, guiding principles, and strategic priorities, include six strategies and priorities for the Board and campuses moving forward in the current and into the 2011-2013 biennium:

- Aligning institution missions to frame the OUS portfolio of academic, research and other assets
- Creating a college-going culture in K-12 for underrepresented students to ensure increased college access and success once in college
- Improving student outcomes, with a focus on retention and graduation rates
- Preparing for a diverse world, with a focus on underserved student populations such as Latino and rural students
- Serving Oregon with regionalized approaches that meet local needs in fast growing areas such as Central Oregon and Portland, and

- Strengthening critical areas of Oregon's economy through a focus on sustainability in academic programs, research, and industry collaborations.

While state funding will remain constrained during the next several years, the Board and the campuses have committed to finding creative, cost-effective ways to work on this important agenda in order that higher education access and innovation continue to expand for Oregonians who wish to pursue postsecondary education.

### A REFORM AGENDA FOR OREGON HIGHER EDUCATION

The critical need to educate more Oregonians to meet community and workforce demands has prompted the State Board of Higher Education to seek governance changes for the Oregon University System that will improve access, affordability and success for Oregon students, and better control costs. In a time of increased enrollment demand and changing demographics, these reforms will provide the catalyst to more effectively deliver educational opportunity, protect tuition for uses that benefit students, and invest in programs and research that strengthen and grow Oregon's economy.

As it has become increasingly clear that the current governance and funding structure will not sustain the mission and financial health of Oregon's public universities, the Board has been developing principles, commitments, and frameworks for a new compact with the state which will place primary importance on the achievement of the goals as stated in the strategic plan – increasing the education level of Oregon's adults; providing high quality instruction; providing research for an innovative and successful Oregon; and contributing to the civic, cultural, and economic success of communities throughout Oregon.

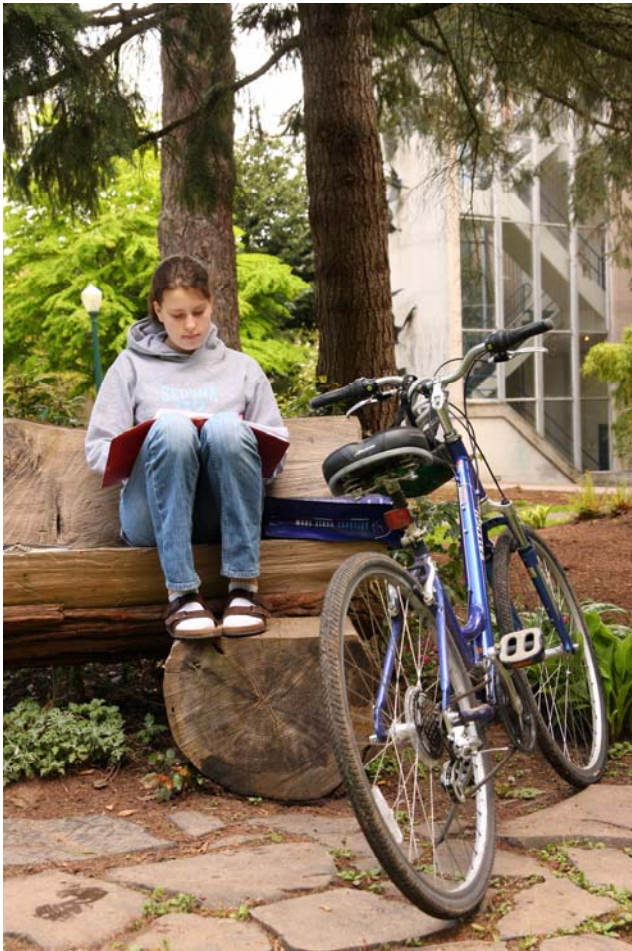
The new governance proposal would change the status of the OUS from that of a state agency to that of a public university system. It also proposes an operating principle of efficient use of scarce resources, which means having enough flexibility to manage costs wisely and generate other sources of revenue needed to serve Oregon's higher education needs. In other words, having the flexibility to be good stewards of state and student sources of operating revenue. Finally, a new governance structure and compact with the state will include a performance and accountability framework that is public, transparent, focused on key outcomes of importance to Oregonians, and designed to facilitate improvement. OUS will be seeking reforms in the 2011 Legislative Session that will allow it to improve higher education in Oregon, and evolve the state's role so that the OUS can fulfill its statewide mission while meeting the demands of our competitive, global economy.

## MESSAGE FROM THE CHANCELLOR—CONTINUED

One of our country's top experts on business leadership, Peter Drucker, said, "Unless commitment is made, there are only promises and hopes...but no plans." The Board of Higher Education and the OUS institutions have made a strong, unified commitment to improving and advancing higher education in Oregon, regardless of the state of the economy and other factors that are not always within our control. We are doing this through forward planning and advancing a platform of reform that will ensure a strong higher education system now and into the future. We look forward to working with our education, industry, legislative and other partners to ensure that Oregon is well prepared for the challenges and opportunities of the 21<sup>st</sup> century global economy.



George Pernsteiner  
Chancellor  
Oregon University System



## TOP CAMPUS ACCOMPLISHMENTS FY2010



- EOU welcomed 473 new freshman students at the beginning of the academic year and enrollment reached 4,000 students by the end of fall term – the highest enrollment ever recorded at EOU.
- Major renovation work began on Inlow Hall, EOU's historic administration building. The \$6.4 million capital investment project focused on increased access to essential student services, reduced deferred maintenance, improved seismic stability and energy efficiency.
- EOU implemented seven certificate programs and two associate degrees in response to community need. Many of the courses in the curricula are provided in a flexible format, including online and evening classes.
- EOU researchers investigated the discovery of ice age fossils in the Grande Ronde Valley. The remains were identified as a Columbian mammoth, giant short-faced bear, giant bison and an ancient ground squirrel. Faculty and students are conducting ongoing studies and preservation of the specimens, including DNA extraction.
- Classroom and instructional equipment modernizations were completed campus-wide, including new tables, chairs, carpeting, paint, whiteboards, chalkboards and dark blinds. The project cost approximately \$350,000 and was paid for by EOU's general fund, strengthened by positive enrollment.



- OIT successfully completed its capital campaign to fund the final stage of construction of the Martha Anne Dow Center for Health Professions (CHP) at the Klamath Falls Campus. The university has secured all of the \$38.5 million needed to complete the project through generous donations, a challenge grant from the Kresge Foundation, and state funding.
- OIT began work to consolidate its four Portland-metro campuses into one integrated site by June 2011. The university signed a lease for the former InFocus headquarters in Wilsonville, Oregon on June 28, 2010. The 131,000 square-foot building will allow Oregon Tech to expand its student base from 500 to approximately 1,000 over time; and offer engineering and allied health programs tied to Portland industries.
- OIT's Klamath Falls campus dedicated its new geothermal electric project on April 20, 2010. This "small" power plant is Oregon's first geothermal combined heat and power plant and it's the only geothermal electric plant currently operating. It has a maximum capacity output of 280 kilowatts gross power utilizing existing wells on the campus.



## MESSAGE FROM THE CHANCELLOR—CONTINUED



- The Sustainable Village buildings opened their doors to the first student residents in September 2009, with the attractive, apartment-style complex proving very popular with students. Most apartments have four bedrooms, two bathrooms, a shared kitchen, and living area. The new buildings meet a LEED Silver-equivalent rating, with sustainable features including geothermal heat, compact florescent lighting, and low-VOC (volatile organic compound) carpet and paint.
- OIT Men's Basketball Coach Danny Miles led the Hustlin' Owls to victory on February 13, 2010, giving Miles his 900<sup>th</sup> win of his coaching career, only the fifth coach ever to do so, and setting the men's basketball record for most consecutive home wins with 35-straight. Miles' win happened during OIT's first ever "Pink Out," a breast cancer awareness event, a fitting tribute to former OIT President Dow, who lost her battle to breast cancer on September 29, 2007, and to her vision for the health sciences.



- OSU broke ground on the \$62.5 million, 100,000-square foot Linus Pauling Science Center, named for the university's legendary two-time Nobel Prize winner. The largest academic building project in OSU history, the new facility will house the Linus Pauling Institute (a federal center of excellence) and new classrooms for the thousands of students who study chemistry annually at OSU.
- Faculty researchers earned more than \$275 million in external contracts and grants – a record for the university representing growth of \$23 million over the previous year. OSU was recognized in *The Chronicle of Higher Education* as one of America's top 100 research universities in overall and federal funding. OSU spinoff HD+ was among many successful technology transfer efforts, attracting \$50 million in venture capital funding for its home dialysis innovation – a record for Oregon startups.
- Distinguished Professor of English and Creative Writing Tracy Daugherty's acclaimed "Hiding Man: A Biography of Donald Barthelme" (St. Martin's Press) is named one of *The New York Times'* "100 Notable Books of 2009." This is the ninth book for Daugherty, whose work has been supported by the National Endowment for the Humanities and the Guggenheim Foundation.
- For the second consecutive year of its two-year-old survey, *The Oregonian* reports that more high-achieving graduates from Portland area schools will enroll this fall at OSU than any other institution. The fall class includes a record 15 new National Merit scholars and 164 valedictorians and salutatorians from Oregon high schools.
- OSU launched an innovative organizational approach to its academic enterprise, combining colleges in four new academic divisions. Designed to spur further, deeper levels of collaboration among faculty and new learning opportunities for students, the divisions focus the university's efforts around its strongest areas and will guide decision making in education, research, outreach, external partnerships and faculty recruitment, the latter including 30 new positions approved at the end of 2009.

- Nearly 29,000 students enrolled at PSU in 2009-10, making it the largest and most diverse public or private university in Oregon. The graduating Class of 2010 was the largest ever, with more than 5,135 degrees awarded.
- Sponsored research grew from \$40 million in grants two years ago to \$58 million in 2009-10. Leading areas included science, engineering, business, social work, urban and public affairs and education.
- PSU's partnerships with businesses, government, nonprofits, schools and other organizations grew significantly, providing scores of new opportunities for students and faculty. The partnerships include Intel, Toyota, Solarworld, Portland General Electric, Columbia Sportswear, Mercy Corps, Oregon Health & Science University, the City of Portland, Multnomah County, the State of Oregon, every school district in the Portland metro area, among others.
- PSU alumnus Fariborz Maseeh, through his Massiah Foundation, made a \$3.9 million philanthropic investment in computational science to PSU's Department of Mathematics and Statistics. Computational scientists create computer simulations and data analysis tools that predict the behavior of extremely complex systems that shape everyday life, such as the atmosphere, oceans, tectonic plates, airplanes, freeways, and cells and genes. This investment will allow the department to be more versatile and collaborative with other PSU departments and with many businesses in the region, supporting upgrades in the department's facilities; and will add three new faculty positions in computational science, five annual research fellowships, a lecture series, and symposium.
- The growth of campus facilities continued with the opening of the Academic and Student Recreation Center in the Urban Center Plaza. The LEED gold-standard center offers everything from an aquatic complex to a new home for the Graduate School of Social Work and the Portland City Archives.



- The Higher Education Center (HEC) in Medford, jointly operated by SOU and Rogue Community College, received LEED platinum certification by the U.S. Building Council. The HEC becomes the first building in the OUS and the first commercial building in southern Oregon to achieve LEED platinum status.
- The U.S. Environmental Protection Agency ranked SOU #14 in the nation for use of Green Power on campus. That plus similar achievements helped SOU rank in the top 100 "Cool Schools" named by *Sierra Club Magazine*.
- More than 400 SOU classes (totaling 8,960 students) participated in community-based learning activities that benefited organizations throughout the Rogue Valley.
- SOU received \$898,000 in National Science Foundation funding, including a \$491,000 NSF equipment grant for an isotope radius



## MESSAGE FROM THE CHANCELLOR—CONTINUED

mass spectrometer that will help measure fog in tree rings and identify historical climate change.

- SOU's popular Accelerated Baccalaureate Program received national media attention for providing a way that qualified and dedicated students can complete course work and graduate in three years.



- Professor Emeritus Michael Posner was among nine researchers named as winners of the National Medal of Science, the highest honor given by the U.S. government to scientists, engineers and inventors. Posner, a leading pioneer in the field of cognitive neuroscience, joined the UO faculty in 1965.
- During the 2009-10 academic year, six faculty members received prestigious Fulbright Scholar awards to teach or conduct research abroad. The university tied for first in producing the most Fulbright Scholar awards of any institution of higher education.
- Eight UO students received U.S. Student Program Fulbright awards for international study or research during the 2009-10 academic year. This is our largest number of student Fulbrights in 15 years.
- Latin American Studies was granted full program status in the fall of 2009. The university also established the Center for Latino/a and Latin American Studies (CLLAS). The new research center will focus on the interconnectedness between Latino/a people in the U.S. and Latin America.
- UO Athletics finished 14th in the country in the Learfield Sports Directors' Cup, which annually recognizes the best overall athletic department in each NCAA division, its highest finish ever since standings were initiated in 1993-94.

## WESTERN OREGON UNIVERSITY

- The Education Trust ranked WOU first in the nation for the smallest White-Hispanic gap in graduation rates as well as in the top-ten for improvement in graduation rates for underrepresented minority students.
- The university broke ground on two important construction projects: a new live-learn residence hall and a health and wellness center. The residence hall, named Ackerman Hall, was constructed to meet LEED Platinum certification, the first large-scale, new construction residence hall in the country for such a standard. The health and wellness center was constructed to meet LEED Gold certification.
- WOU's enrollment numbers grew six percent over the previous year, to a record enrollment of 5,654. This marks another year of enrollment growth for the university, with an estimated continued growth for the 2010-11 year.
- Two WOU students received Fulbright grants for the 2010-11 year to teach English in Europe. Erin Huggins will spend the year in Germany and Rebecca Chad will spend the year in Spain.
- Dr. Eduardo Gonzalez-Viaña, professor of Spanish, was awarded the Congressional Medal of Honor of Peru in the grade of Gran Cruz, the highest honor the legislature can bestow.



## INDEPENDENT AUDITOR'S REPORT

Oregon State Board of Higher Education  
Eugene, Oregon

Oregon Secretary of State Audits Division  
Salem, Oregon

We have audited the accompanying basic financial statements of Oregon University System (System) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of Oregon University System's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of 7 of the 8 discretely presented component units which represents 46% of the total net assets and 56% of the total revenues of the System's discretely presented component units as described in Note 18 for the year ended June 30, 2010. We also did not audit the financial statements of 6 of the 8 discretely presented component units which represents 8% of the total net assets and 13% of the total revenues of the System's discretely presented component units as described in Note 18 for the year ended June 30, 2009. 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 in those component units, is based solely on the report of other auditors.

We conducted our audits 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 basic financial statements are free of material misstatement. 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 Oregon University System'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 basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Oregon University System and its discretely presented component units as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of Oregon University System's internal control over financial reporting and 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 listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon  
November 30, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2010

### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Oregon University System (OUS) for the years ended June 30, 2010, 2009 and 2008. OUS comprises the Chancellor's Office and the following four-year public universities:

- Eastern Oregon University (EOU)
- Oregon Institute of Technology (OIT)
- Oregon State University (OSU)
- Portland State University (PSU)
- Southern Oregon University (SOU)
- University of Oregon (UO)
- Western Oregon University (WOU)

#### ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT SUMMARY

| University          | 2010          | 2009          | 2008          | 2007          | 2006          |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| EOU                 | 2,870         | 2,550         | 2,435         | 2,460         | 2,609         |
| OIT                 | 2,686         | 2,490         | 2,350         | 2,319         | 2,377         |
| OSU                 | 21,266        | 19,536        | 18,963        | 18,875        | 18,821        |
| PSU                 | 22,124        | 20,764        | 19,213        | 18,927        | 18,719        |
| SOU                 | 4,472         | 4,373         | 4,213         | 4,174         | 4,249         |
| UO                  | 22,635        | 21,679        | 20,361        | 20,421        | 20,695        |
| WOU                 | 4,891         | 4,571         | 4,384         | 4,152         | 4,202         |
| <b>Total System</b> | <b>80,944</b> | <b>75,963</b> | <b>71,919</b> | <b>71,328</b> | <b>71,672</b> |

### UNDERSTANDING THE FINANCIAL STATEMENTS

The MD&A focuses on OUS as a whole and is intended to foster a greater understanding of OUS's financial activities. Since this presentation includes summarized formats it should be read in conjunction with the financial statements which have the following six components.

**Report of Independent Auditors** presents an unqualified opinion rendered by an independent certified public accounting firm, Moss Adams LLP, on the fairness (in all material respects) of the financial statements.

**Statement of Net Assets (SNA)** presents a snapshot of OUS assets and liabilities under the accrual basis of accounting at the end of each fiscal year presented. The SNA helps the reader understand the types and amounts of assets available

to support operations, how much OUS owes to vendors and bond holders; and net assets delineated based upon their availability for future expenditures.

**Statement of Revenues, Expenses, and Changes in Net Assets (SRE)** presents OUS revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports the OUS operating results for each fiscal year presented.

**Statement of Cash Flows (SCF)** provides information about OUS's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, and assists in determining whether OUS has the ability to generate future net cash flows to meet its obligations as they come due, and in determining the need for external financing.

**Notes to the Financial Statements (Notes)** provide additional information to clarify and expand on the financial statements.

**Component Units**, comprised of eight supporting foundations, are discretely presented in the OUS financial statements and in Notes 2 and 18.

The MD&A provides an objective analysis of OUS's financial activities based on currently known facts, decisions, and conditions. The analysis is for OUS as a whole and is not broken out by individual university. The MD&A discusses the current year results in comparison to the prior year. To see discussions relating to the prior year, refer to last year's annual financial report on the OUS website: [http://www.ous.edu/cont-div/reports/annfinst\\_fy2009.php](http://www.ous.edu/cont-div/reports/annfinst_fy2009.php). The fiscal year 2010 presentation has resulted in reclassifications to the fiscal year 2009 and 2008 financial statements. The reclassifications did not materially affect the analysis provided in the prior year's MD&A. Unless otherwise stated, all years refer to the fiscal year ended June 30.

### STATEMENT OF NET ASSETS

The term "Net Assets" refers to the difference between total assets and total liabilities, and is an indicator of OUS's current financial condition. Changes in net assets that occur over time indicate improvement or deterioration in OUS's financial condition. The following summarizes OUS assets, liabilities and net assets:



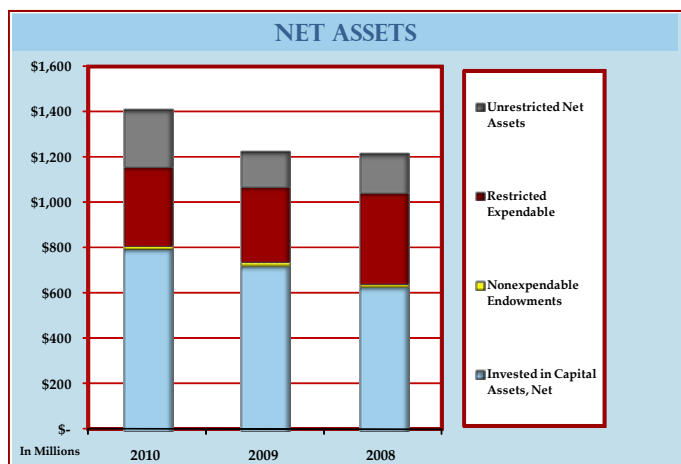
# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2010

| CONDENSED STATEMENT OF NET ASSETS                  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| As of June 30,                                     | 2010            | 2009            | 2008            |
|  | (In millions)   |                 |                 |
| Current Assets                                     | \$ 1,094        | \$ 944          | \$ 999          |
| Noncurrent Assets                                  | 640             | 694             | 636             |
| Capital Assets, Net                                | 2,127           | 1,764           | 1,548           |
| <b>Total Assets</b>                                | <b>\$ 3,861</b> | <b>\$ 3,402</b> | <b>\$ 3,183</b> |
| Current Liabilities                                | \$ 749          | \$ 750          | \$ 728          |
| Noncurrent Liabilities                             | 1,698           | 1,427           | 1,239           |
| <b>Total Liabilities</b>                           | <b>\$ 2,447</b> | <b>\$ 2,177</b> | <b>\$ 1,967</b> |
| Invested in Capital Assets,<br>Net of Related Debt | \$ 818          | \$ 729          | \$ 632          |
| Restricted - Nonexpendable                         | 16              | 16              | 17              |
| Restricted - Expendable                            | 328             | 327             | 397             |
| Unrestricted                                       | 252             | 153             | 170             |
| <b>Total Net Assets</b>                            | <b>\$ 1,414</b> | <b>\$ 1,225</b> | <b>\$ 1,216</b> |

### TOTAL NET ASSETS

OUS's overall financial position materially improved in 2010. Changes to Total Assets reflected a larger increase than Total Liabilities causing Total Net Assets to increase \$189 million during 2010 compared to a modest \$9 million increase in 2009. As illustrated by the following graph, the make-up of net assets changed between 2010, 2009 and 2008.



- **Net Assets Invested in Capital Assets, Net of Related Debt** increased \$89 million. Capital assets increases of \$469 million were offset by a \$273 million increase to long-term debt attributable to the capital assets, and a \$107 million increase to accumulated depreciation.
- **Restricted Expendable Net Assets** did not change materially in aggregate in 2010. Net assets of funds reserved for capital construction projects increased by \$20 million due to gifted funds for capital construction expenditures in 2010. Deferred income increases partially offset by increases in year-end receivable accruals for unreimbursed

expenditures incurred on behalf of grant and contract funding agencies caused net decreases of \$17 million but the year-end balance of endowment income yet to be distributed increased by \$5 million. Net assets relating to Debt Service reserves decreased \$6 million due to a change in the debt service reserve policy, beginning with the 2010 debt issuances.

- **Unrestricted Net Assets** increased \$99 million. Growth in operating revenue for unrestricted purposes outpaced the growth in operating expenses, resulting in the build-up of unrestricted fund balance reserves.

### TOTAL ASSETS AND LIABILITIES

Total Assets increased \$459 million, or 13%, and Total Liabilities increased \$270 million, or 12% during the year ended 2010. The State Treasurer receives temporary cash collateral on behalf of OUS from investment firms who borrow OUS securities. Absent the securities lending balances, total Assets increased by \$468 million or 15% and Total Liabilities increased by \$279 million or 16%. The remaining analysis is absent securities lending variances.

- **Current Assets** increased \$159 million, or 28% due to increased cash and cash equivalents and accounts receivable. Cash related to Unrestricted Net Assets grew as operating revenue growth outpaced operating expenses. Accounts receivable increased mainly related to growth in grants and contracts activities. See "Operating Revenues" and "Operating Expenses" for information relating to the cash variance. See "Note 3. Accounts Receivable" for information relating to the receivable variance.
- **Noncurrent Assets** decreased \$54 million, or 8%. Year-end cash balances in capital construction funds, debt service reserve funds, agency funds and in long-term investments all decreased compared to the prior year.
- **Capital Assets, Net** increased \$362 million, or 21%. Capitalized acquisitions net of disposals and adjustments included \$407 million in real property and \$24 million in personal property. Accumulated depreciation increased by \$82 million. Intangible assets, net of amortization increased capital assets by \$13 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Current Liabilities** increased \$8 million, or 2%. Deferred revenue increased by \$11 million mainly relating to a change in the grant and contract billing process at one university. Deposits increased \$4 million due to the timing of payments due from agency funds. Partially offsetting these increases were decreases in accounts payable

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

and accrued liabilities of \$6 million, the majority of which was caused by year-end accounts payable for unpaid capital construction invoices decreasing in 2010 compared to 2009.

- **Noncurrent Liabilities** increased \$271 million, or 19%, mainly due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

For both years presented, current assets are sufficient to meet current obligations.

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Due to the classification of certain revenues as nonoperating revenue, OUS shows a loss from operations. State General Fund Appropriations and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) 35 standards and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of OUS:

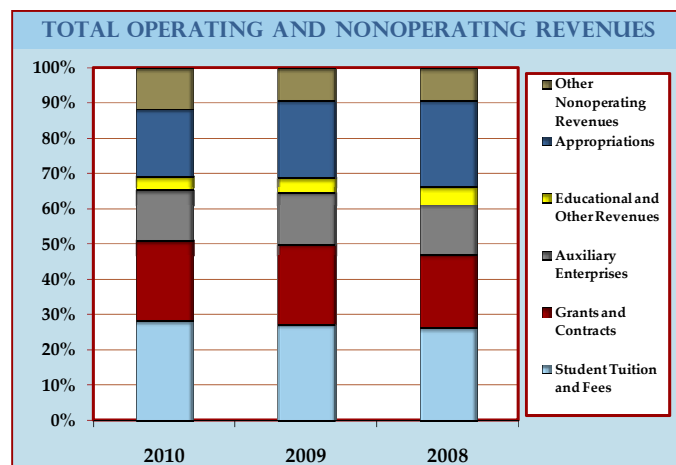
| CONDENSED STATEMENT OF REVENUES, EXPENSES<br>AND CHANGES IN NET ASSETS |               |          |          |
|--|---------------|----------|----------|
| For the Year Ended June 30,  | 2010          | 2009     | 2008     |
|  | (In millions) |          |          |
| Operating Revenues   | \$ 1,532      | \$ 1,369 | \$ 1,252 |
| Operating Expenses   | 1,963         | 1,916    | 1,757    |
| Operating Loss   | (431)         | (547)    | (505)    |
| Nonoperating Revenues,<br>Net of Expenses                              | 474           | 443      | 490      |
| Other Revenues   | 146           | 113      | 95       |
| Increase In Net Assets   | 189           | 9        | 80       |
| Net Assets, Beginning of Year  | 1,225         | 1,216    | 1,136    |
| Net Assets, End of Year  | \$ 1,414      | \$ 1,225 | \$ 1,216 |

Net Assets increased by \$189 million in 2010 compared to an increase of \$9 million in 2009.

### REVENUES

Revenues increased \$228 million, or 11%, in 2010 compared to the prior year.

| TOTAL OPERATING AND<br>NONOPERATING REVENUES |               |          |          |
|--|---------------|----------|----------|
| For the Year Ended June 30,                  | 2010          | 2009     | 2008     |
|  | (In millions) |          |          |
| Student Tuition and Fees                     | \$ 628        | \$ 542   | \$ 496   |
| Grants and Contracts                         | 506           | 455      | 394      |
| Auxiliary Enterprises                        | 317           | 289      | 271      |
| Educational and Other                        | 81            | 83       | 91       |
| Total Operating Revenues                     | 1,532         | 1,369    | 1,252    |
| Appropriations                               | 429           | 440      | 465      |
| Investment Activity                          | 20            | 5        | 17       |
| Capital Grants and Gifts                     | 108           | 76       | 55       |
| Other Nonoperating Items                     | 129           | 100      | 102      |
| Total Nonoperating Revenues                  | 686           | 621      | 639      |
| Total Revenues                               | \$ 2,218      | \$ 1,990 | \$ 1,891 |



### Operating Revenues

Operating revenues increased \$163 million in 2010, or 12% over 2009, to \$1.5 billion. This change is primarily due to increases in Student Tuition and Fees, Grants and Contracts and Auxiliary Enterprises Revenues.

**Student Tuition and Fees** increased \$86 million, or 16%, in 2010 compared to 2009.

- Higher tuition and fee rates accounted for \$73 million of the increase.
- Increased enrollment added \$40 million to tuition and fees.
- Increased fee remissions and scholarship allowances reduced tuition and fees by \$27 million.

**Federal, State and Nongovernmental Grants and Contracts** increased \$51 million, or 11%, in 2010 compared to 2009.

- Federal grants and contract revenue were higher during 2010 when compared to the prior year by \$62 million relating to increased Pell grants, research and develop-



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2010

ment grants and contracts, and other grants and contracts and a change in the grant and contract billing process at one university.

- State and Local grants and contracts revenue decreased \$3 million mainly relating to lower Oregon Opportunity Grant funding.
- Nongovernmental grants decreased \$8 million relating to a change in the grant and contract billing process at one university which was partially offset by an aggregation of small grant and contract increases.

**Auxiliary Enterprises** revenues increased \$28 million, or 10%, compared to the prior year.

- Student Health and Incidental Fee revenue increased \$15 million due to higher rates and increased enrollment.
- Athletics revenues increased by \$5 million mainly due to the growth in event income.
- Housing and Dining revenues increased by \$7 million in 2010 related mainly to higher rates and student occupancy.

**Educational and Other Revenues** decreased \$2 million, or 2%, between the two fiscal periods.

### Nonoperating Revenues

The increase in Nonoperating Revenues of \$65 million during 2010 can be directly tied to the increases in Capital Grants and Gifts, Other Nonoperating Items and Investment Activities. This was partially offset by a decrease to Government Appropriations.

**Government, Capital and Debt Service Appropriations** decreased \$11 million, or 3%.

- State appropriations for OUS operations were reduced by \$12 million or 3% due to the state's decline in overall revenues available for appropriation.

See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

**Investment Activity** increased \$15 million, or 274% in 2010.

- Market value increases of \$9 million in 2010 were \$23 million greater compared to a \$14 million market value loss in 2009.
- Interest income declined \$9 million during 2010 compared to 2009. Interest rates dropped and less cash was invested due to the timing of debt issuances during 2010.

See "Note 10. Investment Activity" for additional information relating to these variances.

**Capital Grants and Gifts** increased \$32 million in 2010 mainly relating to the donation of a building valued at \$37 million, which was partially offset by the timing of fundraising for various construction projects, causing a \$5 million decrease from the prior year.

**Other Nonoperating Items** increased \$30 million in 2010.

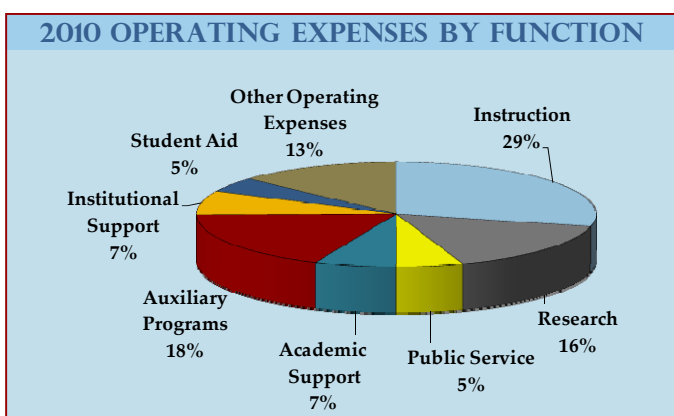
- Gifts increased \$23 million mainly relating to scholarships, and equipment and furnishings included as part of a donated building.
- The implementation of GASB 51 caused \$13 million to be added for intangible assets.
- Gain on Sale of Assets, Net declined \$4 million compared to the prior year.

## EXPENSES

### Operating Expenses

Operating expenses increased \$47 million in 2010, or 2%, over 2009, to \$2.0 billion. This moderate increase results from offsetting increases and decreases in all expense categories. The following summarizes operating expenses by functional classification:

| OPERATING EXPENSES BY FUNCTION  |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|
| For the Year Ended June 30,     | 2010            | 2009            | 2008            |
|                                 | (In millions)   |                 |                 |
| Instruction                     | \$ 565          | \$ 568          | \$ 530          |
| Auxiliary Programs              | 356             | 330             | 307             |
| Research                        | 311             | 301             | 264             |
| Institutional Support           | 146             | 152             | 133             |
| Academic Support                | 130             | 130             | 119             |
| Public Service                  | 105             | 108             | 104             |
| Student Aid                     | 91              | 73              | 61              |
| Other Operating Expenses        | 259             | 254             | 239             |
| <b>Total Operating Expenses</b> | <b>\$ 1,963</b> | <b>\$ 1,916</b> | <b>\$ 1,757</b> |



The following summarizes operating expenses by natural classification:

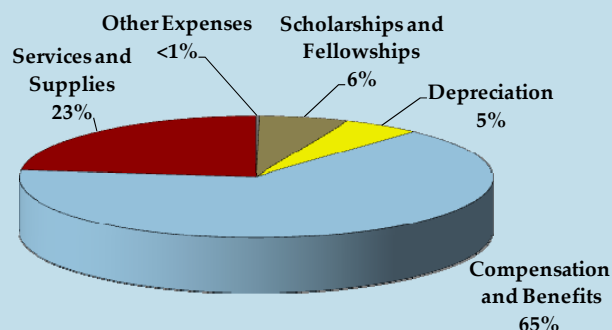
# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2010

### OPERATING EXPENSES BY NATURE

| For the Year Ended June 30,     | 2010            | 2009            | 2008            |
|---------------------------------|-----------------|-----------------|-----------------|
|                                 | (In millions)   |                 |                 |
| Compensation and Benefits       | \$ 1,277        | \$ 1,256        | \$ 1,148        |
| Services and Supplies           | 457             | 465             | 422             |
| Scholarships and Fellowships    | 121             | 100             | 86              |
| Depreciation and Amortization   | 103             | 91              | 92              |
| Other Expenses                  | 5               | 4               | 9               |
| <b>Total Operating Expenses</b> | <b>\$ 1,963</b> | <b>\$ 1,916</b> | <b>\$ 1,757</b> |

### 2010 OPERATING EXPENSES BY NATURE



Due to the way in which expenses are incurred by OUS, variances are presented and explained by analyzing changes in the natural classifications of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

**Compensation and Benefits** costs increased \$21 million, or 2%, in 2010 compared to 2009.

- Additional employees due to increased student enrollment caused increases of approximately \$41 million.
- Lower wage costs of approximately \$13 million were attributed to combinations of wage cuts and furloughs in response to decreased state funding.
- Benefit costs decreased approximately \$17 million. Retirement costs decreased \$27 million while health insurance costs increased \$9 million or 4% compared to the prior year.
- Deferred compensation increased by \$11 million in 2010.

**Services and Supplies** expense decreased \$8 million, or 2%, during 2010 mainly relating to lower fees and services paid for building maintenance and repairs.

**Scholarships and Fellowships** costs increased \$21 million, or 21%, when comparing 2010 and 2009 which mainly related to increased PELL grants.

**Depreciation and Amortization** expense increased \$12 million during 2010 relating to new buildings and intangible assets.

### Nonoperating Expenses

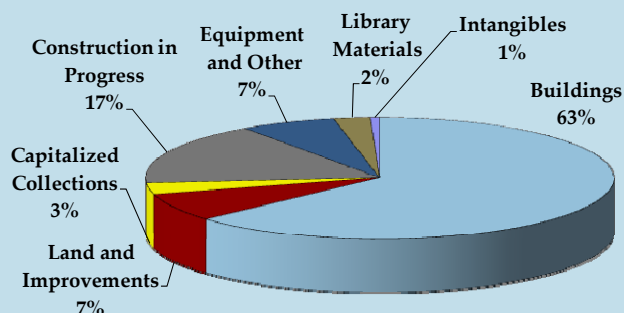
**Interest Expense** increased by \$2 million, or 4%, due to new debt issuances. See "Capital Assets and Related Financing Activities," below, and "Note 8. Long-term Liabilities" for information relating to this variance.

## CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

### CAPITAL ASSETS

At June 30, 2010, OUS had \$3.5 billion in capital assets, less accumulated depreciation of \$1.4 billion, for net capital assets of \$2.1 billion. OUS is committed to a comprehensive program of capital initiatives combined with a comprehensive approach to facility maintenance which includes addressing current maintenance needs and minimizing OUS's deferred maintenance backlog. State, Federal, private, borrowed, and internal OUS funding combine to accomplish OUS's capital objectives.

### 2010 CAPITAL ASSETS, NET - \$2.1 BILLION



### CHANGES TO CAPITAL ASSETS

|  | 2010            | 2009            | 2008            |
|--|-----------------|-----------------|-----------------|
|  | (In millions)   |                 |                 |
| Capital Assets, Beginning of Year      | \$ 3,045        | \$ 2,757        | \$ 2,558        |
| Add: Purchases/Construction            | 457             | 306             | 228             |
| Less: Retirements/Disposals            | 13              | (18)            | (29)            |
| <b>Total Capital Assets, EOY</b>       | <b>3,515</b>    | <b>3,045</b>    | <b>2,757</b>    |
| Accum. Depreciation, Beginning of Year | (1,281)         | (1,208)         | (1,137)         |
| Add: Depreciation Expense              | (103)           | (91)            | (92)            |
| Less: Retirements/Disposals            | (4)             | 18              | 21              |
| <b>Total Accum. Depreciation, EOY</b>  | <b>(1,388)</b>  | <b>(1,281)</b>  | <b>(1,208)</b>  |
| <b>Total Capital Assets, Net, EOY</b>  | <b>\$ 2,127</b> | <b>\$ 1,764</b> | <b>\$ 1,549</b> |

Capital additions totaled \$457 million for 2010, \$306 million for 2009 and \$228 million for 2008. Due to the implementa-



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2010

tion of GASB No. 51, *Accounting and Reporting for Intangible Assets*, retirements/disposals include related adjustments of \$35 million to record intangible assets.

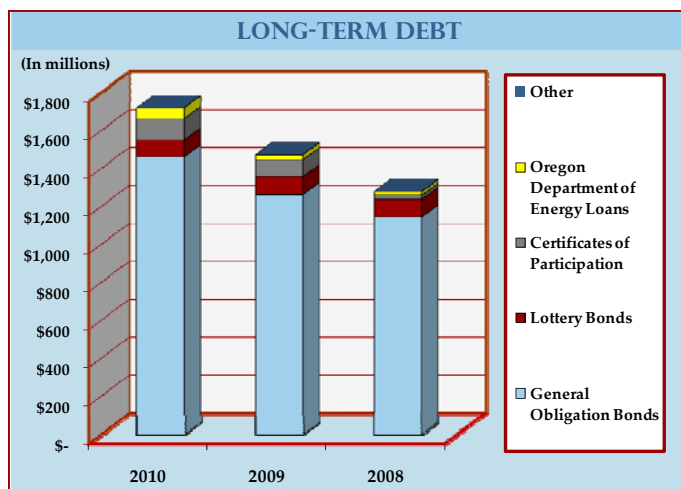
Accumulated depreciation at June 30, 2010 increased \$107 million, which represented \$103 million in depreciation and amortization expense, \$23 million of prior years' amortization of intangible assets offset by \$19 million in asset retirements. Depreciation expense was \$103 million during 2010 compared to \$91 million during 2009.

### CAPITAL COMMITMENTS

OUS has outstanding capital commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature of \$438 million as of June 30, 2010. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

### DEBT ADMINISTRATION

During 2010, 2009 and 2008, OUS issued bonds totaling \$277 million, \$243 million and \$294 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets. Fiscal year 2010 saw many large individual construction projects funded. The introduction of "Go Oregon!", a program initiated by the State of Oregon to combat unemployment, jump-started many "shovel ready" projects during 2009. The UO Arena Project, debt totaling \$200 million, was issued at the end of fiscal year 2008. Construction on this project began in fiscal year 2009. During 2010 and 2009, capital expenditures exceeded debt proceeds as debt proceeds from prior fiscal years, as well as gifts and other funding sources, were used to pay for construction.



### ECONOMIC OUTLOOK

The funding for the major activities of OUS comes from a variety of sources: tuition and fees; financial aid programs; state, Federal and county appropriations; Federal, foundation and other grants; private and government contracts, and donor gifts. Revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and facilities costs at the universities.

State funding levels continue to challenge the institutional mission of OUS. Revenue declines brought on by the recession caused the State to drastically reduce its support to the students attending state universities. The Federal government stepped in to replace some of the lost State funding, backfilling a portion of the shortfall through the American Recovery and Reinvestment Act. These subsidies will continue through fiscal year 2011. The remaining shortfall was covered by increased tuition and fees, which cannot be sustained in the long-term because of enrollment fluctuations.

The Oregon Legislature established limits on tuition and fee increases, limiting the ability to offset the state funding declines relative to operating cost increases. With lower state support, limits on tuition and fees, and enrollment growth, all of our institutions, and particularly our regional campuses, are operating in a financially challenging environment.

OUS approved a policy to implement differential tuition, which allows universities to establish different tuition rates for academic programs by Fall 2011. Differential tuition is intended to 1) offset higher than average instructional costs of specific programs; 2) provide supplemental resources to enhance quality; 3) reflect the market for programs with high demand.

OUS received legislative approval to change how its cash balances can be invested in an attempt to increase investment earnings. OUS continues to seek approval to retain the investment earnings on all of its cash balances. Currently, earnings for 32% of OUS invested cash is retained by the State General Fund. Retaining investment earnings is an important economic factor in OUS's ability to retain and build its service level to students and reduce future tuition increases. OUS continues to be challenged by insufficient state support but the Board and management are committed to ensuring the long-term health of OUS and supporting the core mission of access, affordability, excellence and economic development.

## STATEMENT OF NET ASSETS

| As of June 30,   | University System   |                     |
|--|---------------------|---------------------|
|  | 2010                | 2009                |
|  | (In thousands)      |                     |
| <b>ASSETS</b>  |                     |                     |
| <b>Current Assets</b>                                    |                     |                     |
| Cash and Cash Equivalents (Note 2)                       | \$ 485,599          | \$ 334,192          |
| Collateral from Securities Lending (Note 2)              | 366,704             | 375,509             |
| Accounts Receivable, Net (Note 3)                        | 191,164             | 177,670             |
| Accounts Receivable from Component Units (Note 3)        | 11,330              | 14,388              |
| Notes Receivable, Net (Note 4)                           | 16,243              | 16,679              |
| Inventories  | 6,882               | 6,796               |
| Prepaid Expenses   | 16,556              | 18,550              |
| <b>Total Current Assets</b>                              | <b>1,094,478</b>    | <b>943,784</b>      |
| <b>Noncurrent Assets</b>                                 |                     |                     |
| Cash and Cash Equivalents (Note 2)                       | 498,042             | 539,846             |
| Investments (Note 2)                                     | 61,160              | 67,305              |
| Notes Receivable, Net (Note 4)                           | 81,014              | 86,823              |
| Capital Assets, Net of Accumulated Depreciation (Note 5) | 2,126,535           | 1,764,436           |
| <b>Total Noncurrent Assets</b>                           | <b>2,766,751</b>    | <b>2,458,410</b>    |
| <b>Total Assets</b>                                      | <b>\$ 3,861,229</b> | <b>\$ 3,402,194</b> |
| <b>LIABILITIES</b>                                       |                     |                     |
| <b>Current Liabilities</b>                               |                     |                     |
| Accounts Payable and Accrued Liabilities (Note 6)        | \$ 144,184          | \$ 149,974          |
| Deposits   | 23,060              | 18,637              |
| Obligations Under Securities Lending (Note 2)            | 366,704             | 375,509             |
| Current Portion of Long-Term Liabilities (Note 8)        | 99,578              | 100,884             |
| Deferred Revenue   | 115,846             | 105,333             |
| <b>Total Current Liabilities</b>                         | <b>749,372</b>      | <b>750,337</b>      |
| <b>Noncurrent Liabilities</b>                            |                     |                     |
| Long-Term Liabilities (Note 8)                           | 1,698,063           | 1,426,532           |
| <b>Total Noncurrent Liabilities</b>                      | <b>1,698,063</b>    | <b>1,426,532</b>    |
| <b>Total Liabilities</b>                                 | <b>\$ 2,447,435</b> | <b>\$ 2,176,869</b> |
| <b>NET ASSETS</b>  |                     |                     |
| Invested in Capital Assets, Net of Related Debt          | \$ 817,565          | \$ 729,382          |
| Restricted For:  |                     |                     |
| Nonexpendable Endowments                                 | 15,942              | 16,287              |
| Expendable:  |                     |                     |
| Gifts, Grants and Contracts                              | 78,577              | 90,019              |
| Student Loans  | 84,935              | 85,616              |
| Capital Projects   | 91,696              | 71,999              |
| Debt Service   | 72,971              | 79,407              |
| Unrestricted Net Assets (Note 9)                         | 252,108             | 152,615             |
| <b>Total Net Assets</b>                                  | <b>\$ 1,413,794</b> | <b>\$ 1,225,325</b> |

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

| As of June 30,  | Component Units     |                     |
|---|---------------------|---------------------|
|   | 2010                | 2009                |
|   | (In thousands)      |                     |
| <b>ASSETS</b>   |                     |                     |
| Cash and Cash Equivalents                                 | \$ 49,895           | \$ 58,336           |
| Contributions, Pledges and Grants Receivable, Net         | 199,851             | 237,068             |
| Investments (Note 2)                                      | 1,047,178           | 924,588             |
| Prepaid or Deferred Expenses, and Other Assets            | 39,438              | 37,451              |
| Property and Equipment, Net                               | 49,623              | 50,005              |
| <b>Total Assets</b>                                       | <b>\$ 1,385,985</b> | <b>\$ 1,307,448</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Accounts Payable and Accrued Liabilities                  | \$ 14,715           | \$ 11,321           |
| Accounts Payable to Universities                          | 3,969               | 7,350               |
| Obligations to Beneficiaries of Split-Interest Agreements | 70,763              | 63,940              |
| Deposits and Deferred Revenue                             | 10,968              | 10,889              |
| Long-Term Liabilities                                     | 78,976              | 60,399              |
| <b>Total Liabilities</b>                                  | <b>\$ 179,391</b>   | <b>\$ 153,899</b>   |
| <b>NET ASSETS</b>   |                     |                     |
| Unrestricted Deficit                                      | \$ (19,543)         | \$ (24,033)         |
| Temporarily Restricted                                    | 567,356             | 544,844             |
| Permanently Restricted                                    | 658,781             | 632,738             |
| <b>Total Net Assets</b>                                   | <b>\$ 1,206,594</b> | <b>\$ 1,153,549</b> |

The accompanying notes are an integral part of these financial statements.



## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

| For the Years Ended June 30,  | University System   |                     |
|---|---------------------|---------------------|
|   | 2010                | 2009                |
|   | (In thousands)      |                     |
| <b>OPERATING REVENUES</b>   |                     |                     |
| Student Tuition and Fees (Net of Scholarship Allowances of \$131,670 and \$104,396, respectively)     | \$ 627,911          | \$ 542,276          |
| Federal Grants and Contracts  | 415,126             | 353,130             |
| State and Local Grants and Contracts  | 46,648              | 49,342              |
| Nongovernmental Grants and Contracts  | 43,799              | 51,976              |
| Educational Department Sales and Services   | 60,402              | 59,789              |
| Auxiliary Enterprises Revenues (Net of Scholarship Allowances of \$13,186 and \$11,806, respectively) | 317,043             | 289,230             |
| Other Operating Revenues  | 20,775              | 22,938              |
| <b>Total Operating Revenues</b>   | <b>1,531,704</b>    | <b>1,368,681</b>    |
| <b>OPERATING EXPENSES</b>   |                     |                     |
| Instruction   | 565,284             | 567,543             |
| Research  | 310,577             | 301,131             |
| Public Service  | 104,972             | 108,113             |
| Academic Support  | 130,112             | 130,395             |
| Student Services  | 73,186              | 73,214              |
| Auxiliary Programs  | 355,972             | 329,919             |
| Operation and Maintenance of Plant  | 89,369              | 84,153              |
| Institutional Support   | 146,144             | 151,865             |
| Student Aid   | 90,709              | 72,857              |
| Other Operating Expenses  | 96,388              | 96,745              |
| <b>Total Operating Expenses (Note 11)</b>   | <b>1,962,713</b>    | <b>1,915,935</b>    |
| <b>Operating Loss</b>   | <b>(431,009)</b>    | <b>(547,254)</b>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                     |                     |
| Government Appropriations (Note 12)   | 391,035             | 402,667             |
| Investment Activity (Note 10)   | 19,933              | 5,331               |
| Gain (Loss) on Sale of Assets, Net  | (875)               | 2,968               |
| Interest Expense  | (66,895)            | (64,508)            |
| Other Nonoperating Items  | 130,534             | 96,667              |
| <b>Net Nonoperating Revenues</b>  | <b>473,732</b>      | <b>443,125</b>      |
| <b>Income (Loss) Before Other Nonoperating Revenues</b>   | <b>42,723</b>       | <b>(104,129)</b>    |
| Capital and Debt Service Appropriations (Note 12)   | 37,489              | 37,473              |
| Capital Grants and Gifts  | 108,257             | 75,707              |
| <b>Total Other Nonoperating Revenues</b>  | <b>145,746</b>      | <b>113,180</b>      |
| <b>Increase In Net Assets</b>   | <b>188,469</b>      | <b>9,051</b>        |
| <b>NET ASSETS</b>   |                     |                     |
| Beginning Balance   | 1,225,325           | 1,216,274           |
| <b>Ending Balance</b>   | <b>\$ 1,413,794</b> | <b>\$ 1,225,325</b> |

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF ACTIVITIES

| For The Years Ended June 30,  | Component Units     |                     |
|---|---------------------|---------------------|
|   | 2010                | 2009                |
|   | (In thousands)      |                     |
| <b>REVENUES</b>   |                     |                     |
| Grants, Bequests and Gifts  | \$ 158,799          | \$ 160,710          |
| Interest and Dividends  | 13,050              | 10,696              |
| Investment Income (Loss), Net   | 65,363              | (181,296)           |
| Change in Value of Life Income Agreements                                   | 8,039               | (19,865)            |
| Other Revenues  | 24,847              | 17,937              |
| <b>Total Revenues</b>   | <b>270,098</b>      | <b>(11,818)</b>     |
| <b>EXPENSES</b>   |                     |                     |
| General and Administrative  | 23,434              | 24,679              |
| Development Expenses  | 5,610               | 5,573               |
| University Support  | 182,694             | 178,917             |
| Other Expenses  | 6,902               | 9,994               |
| <b>Total Expenses</b>   | <b>218,640</b>      | <b>219,163</b>      |
| <b>Increase (Decrease) In Net Assets Before Other Changes in Net Assets</b> | <b>51,458</b>       | <b>(230,981)</b>    |
| Other Changes in Net Assets   | 1,587               | -                   |
| <b>Increase (Decrease) In Net Assets</b>                                    | <b>53,045</b>       | <b>(230,981)</b>    |
| <b>NET ASSETS</b>   |                     |                     |
| Beginning Balance   | 1,153,549           | 1,384,530           |
| <b>Ending Balance</b>   | <b>\$ 1,206,594</b> | <b>\$ 1,153,549</b> |

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

| For the Years Ended June 30,                                     | University System |                   |
|--|-------------------|-------------------|
|  | 2010              | 2009              |
|  | (In thousands)    |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                   |                   |
| Tuition and Fees   | \$ 624,374        | \$ 551,802        |
| Grants and Contracts   | 511,680           | 450,251           |
| Educational Department Sales and Services                        | 60,413            | 59,765            |
| Auxiliary Enterprises Operations                                 | 318,447           | 290,988           |
| Student Loan Collections   | 11,947            | 13,105            |
| Payments to Employees for Compensation and Benefits              | (1,258,093)       | (1,247,799)       |
| Payments to Suppliers  | (420,371)         | (438,608)         |
| Student Financial Aid  | (121,149)         | (99,939)          |
| Student Loan Issuance and Costs                                  | (8,764)           | (9,697)           |
| Other Operating Receipts   | 2,045             | 16,220            |
| <b>Net Cash Used by Operating Activities</b>                     | <b>(279,471)</b>  | <b>(413,912)</b>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                   |                   |
| Government Appropriations  | 394,593           | 403,641           |
| Other Gifts and Private Contracts                                | 111,110           | 97,599            |
| Net Agency Fund Receipts (Payments)                              | (6,986)           | 4,910             |
| <b>Net Cash Provided by Noncapital Financing Activities</b>      | <b>498,717</b>    | <b>506,150</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                   |                   |
| Capital Appropriations   | -                 | 11,718            |
| Debt Service Appropriations                                      | 32,105            | 26,829            |
| Capital Grants and Gifts   | 59,338            | 72,187            |
| Bond Proceeds on Capital Debt                                    | 276,725           | 243,010           |
| Sales of Capital Assets  | 22,146            | 21,126            |
| Purchases of Capital Assets                                      | (401,549)         | (302,530)         |
| Interest Payments on Capital Debt                                | (79,737)          | (69,272)          |
| Principal Payments on Capital Debt                               | (44,569)          | (56,921)          |
| <b>Net Cash Used by Capital and Related Financing Activities</b> | <b>(135,541)</b>  | <b>(53,853)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                   |                   |
| Net Sales of Investments   | 17,460            | 174               |
| Interest on Investments and Cash Balances                        | 8,438             | 19,531            |
| Interest Income from Securities Lending                          | 554               | 1,173             |
| Interest Expense from Securities Lending                         | (554)             | (1,173)           |
| <b>Net Cash Provided by Investing Activities</b>                 | <b>25,898</b>     | <b>19,705</b>     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                 | <b>109,603</b>    | <b>58,090</b>     |
| <b>CASH AND CASH EQUIVALENTS</b>                                 |                   |                   |
| Beginning Balance  | 874,038           | 815,948           |
| <b>Ending Balance</b>  | <b>\$ 983,641</b> | <b>\$ 874,038</b> |

The accompanying notes are an integral part of these financial statements.



## STATEMENT OF CASH FLOWS

| For the Years Ended June 30,   | University System   |                     |
|--|---------------------|---------------------|
|  | 2010                | 2009                |
|  | (In thousands)      |                     |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY</b>  |                     |                     |
| <b>OPERATING ACTIVITIES</b>  |                     |                     |
| Operating Loss   | \$ (431,009)        | \$ (547,254)        |
| Adjustments to Reconcile Operating Loss to Net Cash Used by  |                     |                     |
| Operating Activities:  |                     |                     |
| Depreciation Expense   | 103,449             | 90,938              |
| Changes in Assets and Liabilities:   |                     |                     |
| Accounts Receivable  | (3,843)             | (16,503)            |
| Notes Receivable   | 10,658              | 10,845              |
| Inventories  | (37)                | (79)                |
| Prepaid Expenses   | 981                 | (1,446)             |
| Accounts Payable and Accrued Liabilities   | 5,453               | 31,768              |
| Long-Term Liabilities  | 31,098              | 7,105               |
| Deposits   | (50)                | 33                  |
| Deferred Revenue   | 3,829               | 10,681              |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>   | <b>\$ (279,471)</b> | <b>\$ (413,912)</b> |
| <b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND</b>                                      |                     |                     |
| <b>RELATED FINANCING TRANSACTIONS</b>  |                     |                     |
| Capital Assets Acquired by Incurring Capital Lease Obligations                                       | \$ 643              | \$ 290              |
| Capital Assets Acquired by Gifts in Kind   | 46,171              | 3,380               |
| Increase (Decrease) in Fair Value of Investments Recognized as a<br>Component of Investment Activity | 8,985               | (14,251)            |
| The accompanying notes are an integral part of these financial statements.                           |                     |                     |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931.

The OUS financial reporting entity is reported under the heading of University System on the Basic Financial Statements and includes the accounts of Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Oregon State University (OSU), Portland State University (PSU), Southern Oregon University (SOU), University of Oregon (UO), Western Oregon University (WOU), and the Chancellor's Office. OSU includes a branch campus in Bend and receives separate appropriations for statewide activities including agricultural experiment stations, cooperative extension services and forestry research laboratories. The operations of most student government or associated student organizations are also included in the reporting entity due to OUS universities' fiduciary responsibilities for these organizations. Organizations that are not financially accountable to OUS universities, such as booster and alumni organizations, are not included in the reporting entity.

OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

#### B. FINANCIAL STATEMENT PRESENTATION

OUS financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of OUS assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Financial statements of the OUS discretely presented component units are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting

Standards Board (FASB).

OUS implemented GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, effective for the year ended June 30, 2010. GASB 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. OUS has not petitioned for Chapter 9 bankruptcy as of June 30, 2010.

OUS implemented GASB Statement No. 51, *Accounting and Reporting for Intangible Assets*, effective for the year ended June 30, 2010. GASB 51 requires that all intangible assets not specifically excluded by its provisions be classified as capital assets. To adopt GASB 51, OUS recorded intangible assets, net of amortization, of \$12.5 million as of July 1, 2009.

OUS implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. To implement GASB 53, OUS recorded a \$690,000 loss in fair value at June 30, 2010. See "Note 2. Cash and Investments" for information about OUS derivative instruments.

OUS implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the year ended June 30, 2009. GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. OUS has accrued a pollution remediation obligation liability of \$282,000 and \$585,000 relating to the adoption of GASB 49 for the fiscal years ended June 30, 2010 and 2009, respectively.

OUS implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report land and other real estate investments at fair value. OUS has adjusted the value of its qualifying endowment assets down by \$348,000 and \$1,046,000 relating to the adoption of GASB 52 for the fiscal years ended June 30, 2010 and 2009, respectively.

*New Accounting Standards* – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund*

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

*Type Definitions.* The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. These requirements are effective for the fiscal year ending June 30, 2011. OUS is not anticipating that the adoption of GASB 54 will impact its financial statements.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. These requirements are effective for the fiscal year ending June 30, 2012. OUS is not anticipating that the adoption of GASB 57 will have a material impact on its financial statements.

In preparing the financial statements, significant interfund transactions and balances between universities have been eliminated. The fiscal year 2009 financial statements reflect certain reclassifications to conform to the fiscal year 2010 presentation.

### C. BASIS OF ACCOUNTING

For financial reporting purposes, OUS is considered a special-purpose government engaged only in business-type activities. Accordingly, the OUS financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred.

OUS has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. OUS has elected to not apply FASB pronouncements issued after the applicable date but instead followed GASB pronouncements.

### D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. Cash and cash equivalents include: Cash on hand; cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

Cash and cash equivalents restricted for the long-term portion of debt service, capital construction, and agency funds are

classified as noncurrent assets in the Statement of Net Assets.

### E. INVESTMENTS

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Assets.

Investments restricted for endowments, debt service, capital construction, and agency funds are classified as noncurrent assets in the Statement of Net Assets.

### F. INVENTORIES

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

### G. CAPITAL ASSETS

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. OUS policy is to capitalize equipment with unit costs of \$5,000 or more and an estimated useful life of greater than one year. OUS capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of \$50,000 to \$100,000, depending on the type of real property. Intangible assets valued in excess \$100,000 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art or historical treasures, or library special collections.

### H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities that relate to the subsequent fiscal year(s).

### I. COMPENSATED ABSENCES

OUS accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive com-



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

pensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

### J. NET ASSETS

OUS net assets are classified as follows:

#### Invested in capital assets, net of related debt

*Invested in capital assets* represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

#### Restricted net assets – nonexpendable

*Restricted nonexpendable net assets* consist of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

#### Restricted net assets – expendable

*Restricted expendable net assets* include resources which OUS is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

#### Unrestricted net assets

*Unrestricted net assets* are resources that may be used at the discretion of the Board.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first.

### K. ENDOWMENTS

Oregon Revised Statutes (ORS) Section 351.130 gives OUS the authority to use the interest, income, dividends, or profits of endowments. Current Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for distribution during fiscal year 2011 is estimated to be \$2,607,000. For the years ended June 30, 2010 and 2009, the net amount of appreciation available for authorization for expenditure was \$12,791,000 and \$10,039,000, respectively.

Nonexpendable Endowments on the Statement of Net Assets of \$15,942,000 and \$16,287,000 at June 30, 2010 and 2009, respectively, represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

### L. INCOME TAXES

OUS is an agency of the State and is treated as a governmental entity for tax purposes. As such, OUS is generally not subject to federal and state income taxes. However, OUS remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

### M. REVENUES AND EXPENSES

OUS has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include (1) student tuition and fees; (2) sales and services of auxiliary enterprises; (3) most federal, state and local grants and contracts; and (4) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expenses of capital assets.

Nonoperating revenues have the characteristics of nonexchange transactions. In a nonexchange transaction, OUS receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

### N. SCHOLARSHIP ALLOWANCES

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the differ-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

ence between the revenues charged to students and the amounts actually paid. OUS has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by OUS, amounted to \$56,018,000 and \$46,890,000 for the fiscal years ended 2010 and 2009, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and State Need Grants) used for paying student tuition and fees and campus housing were estimated to be \$88,838,000 and \$69,312,000 for the fiscal years ended 2010 and 2009, respectively.

### O. FEDERAL STUDENT LOAN PROGRAMS

OUS universities receive proceeds from the Federal Direct Student Loan Program and the Federal Family Education Loan Program. Since OUS transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the grant is reported in an agency fund. Federal student loans received by OUS students but not reported in operations were \$519,314,000 and \$433,655,000 for the fiscal years ended 2010 and 2009, respectively.

### P. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

## 2. CASH AND INVESTMENTS

### A. CASH AND CASH EQUIVALENTS

#### Deposits with State Treasury

OUS maintains the majority of its cash balances on deposit with the Oregon State Treasury (State Treasury). The State Treasury maintains these and other state funds on a pooled basis, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state agencies. At the fiscal years ended June 30, 2010 and 2009, OUS carrying amounts of cash and cash equivalents were \$981,776,000 and \$871,386,000, respectively, while the State Treasury balances were \$1,002,881,000 and \$885,185,000, respectively. Differ-

ences between the OUS carrying amount and the State Treasury balance occur due to timing differences.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St NE Suite 100, Salem, OR 97310-0840 or by linking to <http://www.ost.state.or.us/FactsAndFigures/AnnualReports/>.

#### Custodial Credit Risk—Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. Since OUS cash balances are held on deposit at the State Treasury and combined with funds from other State agencies, custodial credit risk exposure is not applicable to OUS.

#### Foreign Currency Risk—Deposits

Deposits in foreign currency run the risk of losing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk. In the course of providing students and faculty opportunities for international studies and research abroad, foreign bank accounts have been established in several countries. The aggregate account balances converted into U.S. dollars equaled \$75,000 at June 30, 2010.

#### Other Deposits

OUS cash and cash equivalents held by a fiscal agent outside the State Treasury comprised \$2,037,000 and \$2,195,000 at June 30, 2010 and 2009, respectively. The fiscal agent is the custodian for distributing the OUS bond principal and interest repayments made by OUS to bondholders. The cash balance with the fiscal agent is subject to Federal deposit insurance for the first \$250,000 for each bondholder. At June 30, 2010, no bondholders had balances exceeding \$250,000.

For the years ended June 30, 2010 and 2009, OUS had vault and petty cash balances of \$518,000 and \$457,000, respectively. Additionally, OUS had small amounts of cash invested with a fiscal agent relating to debt issuances.

#### Other Cash Activities

OUS participates in a limited amount of forward contracts relating to international currency purchases. The contracts are used to limit the exposure to currency fluctuations during the school year and establish a fixed cost to the students who participate in international studies abroad. The following table displays the terms of the OUS forward contracts outstanding at June 30, 2010 (amounts in thousands).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|     | Notional<br>Currency Amount | Principal<br>Amount | Effective<br>Date | Maturity<br>Date | Contract<br>Rate | Fair<br>Value |
|-----|-----------------------------|---------------------|-------------------|------------------|------------------|---------------|
| EUR | 27                          | \$ 35               | 5/12/2010         | 8/31/2010        | \$ 1.2898        | \$ (2)        |
|     | 40                          | 52                  | 5/7/2010          | 9/30/2020        | 1.2890           | (2)           |
|     | 573                         | 787                 | 3/23/2010         | 3/31/2011        | 1.3717           | (83)          |
|     | 500                         | 689                 | 3/23/2010         | 9/14/2011        | 1.3770           | (75)          |
|     | 500                         | 700                 | 2/5/2010          | 6/30/2011        | 1.4000           | (87)          |
|     | 800                         | 1,176               | 12/17/2009        | 10/31/2010       | 1.4698           | (194)         |
|     | 300                         | 444                 | 10/1/2009         | 9/30/2010        | 1.4800           | (76)          |
|     | 400                         | 592                 | 9/29/2009         | 9/22/2010        | 1.4800           | (101)         |
|     | GBP                         | 200                 | 305               | 5/10/2010        | 10/31/2011       | 1.5255        |
| 200 |                             | 305                 | 3/12/2010         | 9/12/2011        | 1.5271           | (5)           |
| 200 |                             | 312                 | 3/2/2010          | 8/20/2011        | 1.5600           | (12)          |
| 200 |                             | 328                 | 9/24/2009         | 9/24/2010        | 1.6388           | (27)          |
| 100 |                             | 164                 | 12/17/2009        | 12/31/2010       | 1.6388           | (14)          |
| AUD | 81                          | 75                  | 4/22/2010         | 10/31/2010       | 0.8520           | (7)           |
| CAD | 3                           | 3                   | 1/29/2010         | 8/31/2010        | 0.9155           | -             |

The fair value balances and notional amounts of forward contracts outstanding at June 30, 2010 and changes in fair value for the year then ended as reported on 2010 financial statements are as follows (amounts in thousands; debit (credit)):

| Changes in Fair Value |        | Fair Value at June 30, 2010 |          | Notional |        |
|-----------------------|--------|-----------------------------|----------|----------|--------|
| Classification        | Amount | Classification              | Amount   | Currency | Amount |
| Deferred Inflow       | \$ 620 | Derivative Instrument       | \$ (620) | EUR      | 3,140  |
| Deferred Inflow       | 63     | Derivative Instrument       | (63)     | GBP      | 900    |
| Deferred Inflow       | 7      | Derivative Instrument       | (7)      | AUD      | 81     |
| Deferred Inflow       | -      | Derivative Instrument       | -        | CAD      | 3      |

### B. INVESTMENTS

OUS funds are invested by the State Treasury. OUS investment policies are governed by statute, the Oregon Investment Council (Council), and the Board. In accordance with ORS, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

The following schedule presents the fair value of OUS investments as reported by the applicable investment trustee at June 30, 2010 (dollars in thousands):

| University System                              | Fair<br>Value | Asset<br>Allocation |
|--|---------------|---------------------|
| Investment Type:                               |               |                     |
| Money Market Funds                             | \$ 746        | 1%                  |
| US Government Bonds                            | 66            | -                   |
| Mutual Funds - Domestic Fixed Income           | 18,404        | 30%                 |
| Guaranteed Investment Contracts                | 2,844         | 5%                  |
| Fixed Income Investments                       | 22,060        |                     |
| Mutual Funds - Domestic Equity Securities      | 16,216        | 26%                 |
| Mutual Funds - International Equity Securities | 16,097        | 26%                 |
| Equity Investments                             | 32,313        |                     |
| Alternative Equities                           | 5,727         | 9%                  |
| Real Estate                                    | 1,806         | 3%                  |
| Other Investments                              | 7,533         |                     |
| Total All Investments                          | 61,906        | 100%                |
| Less Amounts Recorded As Cash                  | (746)         |                     |
| Total Investments                              | \$ 61,160     |                     |

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the statement of net assets.

In 2010, there were significant events in domestic and international investment markets: sovereign debt concerns across Europe, declining consumer confidence, continuing high unemployment and sweeping Federal financing regulatory reform. Consequently, the fair value of OUS's investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2010.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2010, three individual named permanent endowment funds had estimated fair values that, in total, were \$112,000 less than their permanently restricted or historical value. This was the result of net declines in financial markets since these funds were established. The associated unrealized losses are recorded in the Unrestricted Net Assets caption on the Statement of Net Assets.

Of the total investments, \$56 million are in pooled endowment investments, \$2 million are separately invested endowments, and \$3 million are investments of unspent bond proceeds. OUS has an endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

Investments of the OUS discretely presented component units are summarized at June 30, 2010 as follows (in thousands):



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

| Component Units   | Fair Value          |
|---|---------------------|
| Investment Type:  |                     |
| Corporate Stocks, Bonds, Securities and Mutual Funds                    | \$ 453,300          |
| Investment in Common Stock, Voting Trust and Partnerships               | 407,560             |
| US Treasury Notes and Government Obligations                            | 23,338              |
| Money Market Funds and Certificates of Deposit                          | 49,458              |
| Collateralized Mortgages, Mortgage Notes and Contracts,<br>Realty Funds | 11,587              |
| Land and Buildings  | 12,744              |
| Remainder Trusts, Unitrusts and Gift Annuities                          | 53,245              |
| Alternative Investments   | 11,896              |
| Investment Receivables  | 20,256              |
| Cash Value of Life Insurance Policies                                   | 335                 |
| Other   | 3,459               |
| <b>Total Investments</b>  | <b>\$ 1,047,178</b> |

### Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS investment policy pertaining to credit risk requires fixed income securities to have an average credit quality of A/Aa or better and limits below investment grade bonds to no more than 15% of the bond portfolio, exclusive of guaranteed investment contracts. At June 30, 2010, OUS fixed income investments (in thousands) has the following credit quality ratings:

| Investment Type:  | Total            | Mutual Funds-      |                       |                                 |              | Other |
|-------------------|------------------|--------------------|-----------------------|---------------------------------|--------------|-------|
|                   |                  | Money Market Funds | Domestic Fixed Income | Guaranteed Investment Contracts |              |       |
| AA                | \$ 18,404        |                    | \$ 18,404             |                                 |              |       |
| Aaa               | 66               |                    |                       |                                 | \$ 66        |       |
| Unrated           | 3,590            | \$ 746             |                       | \$ 2,844                        |              |       |
| <b>Fair Value</b> | <b>\$ 22,060</b> | <b>\$ 746</b>      | <b>\$ 18,404</b>      | <b>\$ 2,844</b>                 | <b>\$ 66</b> |       |

### Custodial Credit Risk

Custodial credit risk refers to OUS investments that are held by others and not registered in OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where one transfers cash to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. Custodial credit risk does not apply to OUS investments because OUS investments are not used to participate in repurchase agreements.

### Concentration of Credit Risk

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that,

with exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For equity securities, not more than five percent of the market value of any investment fund will be invested in any single security, unless part of an index fund. No investments representing five percent or more of total investments were held at June 30, 2010.

### Interest Rate Risk

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. OUS was not invested in any floating rate debt at June 30, 2010. OUS has the following investments in corporate bonds and fixed income mutual funds at June 30, 2010 (dollars in thousands, duration in years):

| Investment Type:                    | Fair             |          |
|-------------------------------------|------------------|----------|
|                                     | Value            | Duration |
| Money Market Funds                  | \$ 746           | 0.50     |
| Mutual Funds-Domestic Fixed Income  | 18,404           | 4.49     |
| Guaranteed Investment Contracts     | 2,844            | 4.00     |
| Other                               | 66               | 5.20     |
| <b>Total Fair Value</b>             | <b>\$ 22,060</b> |          |
| Portfolio Weighted Average Duration |                  | 4.29     |

### Foreign Currency Risk

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. OUS does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, OUS has \$16 million in mutual funds that are primarily invested in international equities at June 30, 2010.

## C. SECURITIES LENDING

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The securities lending balances relating to investment securities owned by OUS and OUS funds deposited into the OSTF are shown on the following table (in thousands) and illustrate that the State Treasury has no credit risk exposure to borrowers related to securities on loan:

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|                               | June 30,<br>2010 | June 30,<br>2009 |
|-------------------------------|------------------|------------------|
| OUS Securities on loan:       |                  |                  |
| Fair Value                    | \$ 257           | \$ 1,723         |
| Cash Collateral held by OUS:  |                  |                  |
| Fair Value                    | 271              | 1,800            |
| Reported Value                | 260              | 1,831            |
| OSTF Securities on loan:      |                  |                  |
| Fair Value                    | 358,993          | 366,029          |
| Cash Collateral held by OSTF: |                  |                  |
| Fair Value                    | 366,384          | 370,498          |
| Reported Value                | 366,444          | 373,678          |

The State Treasurer has authorized its custodian to act as its agent in the lending of the OUS and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There have been no significant violations of the provisions of securities lending agreements.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to not less than 102% of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for OUS securities on loan in the OSTF. At June 30, 2010, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name. The TCDs, comprising approximately one percent of total OSTF investments, are exposed to custodial credit risk. The TCDs are collateralized by securities pledged by the bank equal to 25% of the COPs provided by the bank.

The cash collateral of OSTF securities on loan was invested in a short-term investment fund (STIF) maintained by the custodial agent, into U.S. agency securities, and corporate notes. The investments were held by a third-party custodian in the State of Oregon's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's

portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

The State Treasurer and borrowers maintained the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### 3. ACCOUNTS RECEIVABLE

Accounts Receivable comprised the following (in thousands):

|                                       | June 30,<br>2010  | June 30,<br>2009  |
|---------------------------------------|-------------------|-------------------|
| Student Tuition and Fees              | \$ 99,080         | \$ 92,812         |
| Auxiliary Enterprises and Other       |                   |                   |
| Operating Activities                  | 20,814            | 17,771            |
| Federal Grants and Contracts          | 51,917            | 32,960            |
| State, Other Government, and Private  |                   |                   |
| Gifts and Contracts                   | 21,741            | 37,184            |
| Component Units                       | 11,330            | 14,388            |
| Other                                 | 12,835            | 9,585             |
|                                       | <u>217,717</u>    | <u>204,700</u>    |
| Less: Allowance for Doubtful Accounts | (15,223)          | (12,642)          |
| Accounts Receivable, Net              | <u>\$ 202,494</u> | <u>\$ 192,058</u> |

### 4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2010 and 2009. The program is funded through annual capital contributions from the federal government, an OUS match, interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education for collection. OUS has provided an allowance for uncollectible loans, which in management's opinion will absorb loans that will ultimately be written off.

Notes Receivable comprised the following (in thousands):

|                                | June 30, 2010    |                  |                   |
|--------------------------------|------------------|------------------|-------------------|
|                                | Current          | Noncurrent       | Total             |
| Institutional and Other        |                  |                  |                   |
| Student Loans                  | \$ 1,756         | \$ 4,308         | \$ 6,064          |
| Federal Student Loans          | 14,709           | 63,178           | 77,887            |
| Amounts Due from OHSU for Bond |                  |                  |                   |
| Indebtedness (See Note 8.G.)   | 3,149            | 21,004           | 24,153            |
|                                | <u>19,614</u>    | <u>88,490</u>    | <u>108,104</u>    |
| Less: Allowance for Doubtful   |                  |                  |                   |
| Accounts                       | (3,371)          | (7,476)          | (10,847)          |
| Notes Receivable, Net          | <u>\$ 16,243</u> | <u>\$ 81,014</u> | <u>\$ 97,257</u>  |
|                                |                  |                  |                   |
|                                | June 30, 2009    |                  |                   |
|                                | Current          | Noncurrent       | Total             |
| Institutional and Other        |                  |                  |                   |
| Student Loans                  | \$ 1,625         | \$ 4,778         | \$ 6,403          |
| Federal Student Loans          | 14,589           | 65,377           | 79,966            |
| Amounts Due from OHSU for Bond |                  |                  |                   |
| Indebtedness (See Note 8.G.)   | 3,103            | 24,285           | 27,388            |
|                                | <u>19,317</u>    | <u>94,440</u>    | <u>113,757</u>    |
| Less: Allowance for Doubtful   |                  |                  |                   |
| Accounts                       | (2,638)          | (7,617)          | (10,255)          |
| Notes Receivable, Net          | <u>\$ 16,679</u> | <u>\$ 86,823</u> | <u>\$ 103,502</u> |





**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

**5. CAPITAL ASSETS**

The following schedule reflects the changes in capital assets (in thousands):

|  | Balance<br>June 30,<br>2008 | Additions         | Retirements<br>and<br>Adjustments | Balance<br>June 30,<br>2009 | Additions         | Retirements<br>and<br>Adjustments | Balance<br>June 30,<br>2010 |
|--|-----------------------------|-------------------|-----------------------------------|-----------------------------|-------------------|-----------------------------------|-----------------------------|
| <b>Capital Assets, Non-depreciable/</b>                          |                             |                   |                                   |                             |                   |                                   |                             |
| <b>Non-amortizable:</b>  |                             |                   |                                   |                             |                   |                                   |                             |
| Land   | \$ 101,018                  | \$ 5,679          |                                   | \$ 106,697                  | \$ 9,238          | \$ (77)                           | \$ 115,858                  |
| Capitalized Collections  | 61,227                      | 784               |                                   | 62,011                      | 2,836             | (953)                             | 63,894                      |
| Construction in Progress   | 164,620                     | 256,996           | \$ (171,024)                      | 250,592                     | 366,153           | (263,340)                         | 353,405                     |
| Intangible Assets (A)  |                             |                   |                                   | -                           | 1                 |                                   | 1                           |
| Intangible Assets in Progress (A)                                |                             |                   |                                   | -                           | 409               |                                   | 409                         |
| <b>Total Capital Assets,<br/>Non-depreciable/Non-amortizable</b> | <b>326,865</b>              | <b>263,459</b>    | <b>(171,024)</b>                  | <b>419,300</b>              | <b>378,637</b>    | <b>(264,370)</b>                  | <b>533,567</b>              |
| <b>Capital Assets, Depreciable/</b>                              |                             |                   |                                   |                             |                   |                                   |                             |
| <b>Amortizable:</b>  |                             |                   |                                   |                             |                   |                                   |                             |
| Equipment  | 286,771                     | 33,886            | (14,550)                          | 306,107                     | 31,410            | (11,856)                          | 325,661                     |
| Library Materials  | 311,940                     | 9,026             | (515)                             | 320,451                     | 8,611             | (6,402)                           | 322,660                     |
| Buildings  | 1,728,918                   | 142,102           | (2,417)                           | 1,868,603                   | 270,186           | (3,285)                           | 2,135,504                   |
| Land Improvements  | 25,205                      | 19,288            |                                   | 44,493                      | 3,393             | (128)                             | 47,758                      |
| Improvements Other Than<br>Buildings                             | 21,154                      | 3,041             |                                   | 24,195                      | 2,361             | (20)                              | 26,536                      |
| Infrastructure   | 55,558                      | 6,319             | (141)                             | 61,736                      | 23,555            | (113)                             | 85,178                      |
| Intangible Assets (A)  |                             |                   |                                   | -                           | 2,101             | 35,413                            | A 37,514                    |
| <b>Total Capital Assets,<br/>Depreciable/Amortizable</b>         | <b>2,429,546</b>            | <b>213,662</b>    | <b>(17,623)</b>                   | <b>2,625,585</b>            | <b>341,617</b>    | <b>13,609</b>                     | <b>2,980,811</b>            |
| <b>Less Accumulated Depreciation/</b>                            |                             |                   |                                   |                             |                   |                                   |                             |
| <b>Amortization for:</b>   |                             |                   |                                   |                             |                   |                                   |                             |
| Equipment  | (200,137)                   | (23,439)          | 11,707                            | (211,869)                   | (24,937)          | 11,196                            | (225,610)                   |
| Library Materials  | (250,348)                   | (12,845)          | 458                               | (262,735)                   | (12,347)          | 6,351                             | (268,731)                   |
| Buildings  | (690,985)                   | (48,895)          | 5,974                             | (733,906)                   | (57,697)          | 1,349                             | (790,254)                   |
| Land Improvements  | (14,706)                    | (1,776)           | 1                                 | (16,481)                    | (2,447)           | 3                                 | (18,925)                    |
| Improvements Other than<br>Buildings                             | (11,828)                    | (1,737)           | (8)                               | (13,573)                    | (1,514)           | (10)                              | (15,097)                    |
| Infrastructure   | (39,613)                    | (2,246)           | (26)                              | (41,885)                    | (2,550)           | 50                                | (44,385)                    |
| Intangible Assets (A)  |                             |                   |                                   | -                           | (1,957)           | (22,884)                          | A (24,841)                  |
| <b>Total Accumulated Depreciation/<br/>Amortization</b>          | <b>(1,207,617)</b>          | <b>(90,938)</b>   | <b>18,106</b>                     | <b>(1,280,449)</b>          | <b>(103,449)</b>  | <b>(3,945)</b>                    | <b>(1,387,843)</b>          |
| <b>Total Capital Assets, Net</b>                                 | <b>\$ 1,548,794</b>         | <b>\$ 386,183</b> | <b>\$ (170,541)</b>               | <b>\$ 1,764,436</b>         | <b>\$ 616,805</b> | <b>\$ (254,706)</b>               | <b>\$ 2,126,535</b>         |
| <b>Capital Assets Summary</b>                                    |                             |                   |                                   |                             |                   |                                   |                             |
| Capital Assets, Non-depreciable/<br>Non-amortizable              | \$ 326,865                  | \$ 263,459        | \$ (171,024)                      | \$ 419,300                  | \$ 378,637        | \$ (264,370)                      | \$ 533,567                  |
| Capital Assets, Depreciable/<br>Amortizable                      | 2,429,546                   | 213,662           | (17,623)                          | 2,625,585                   | 341,617           | 13,609                            | 2,980,811                   |
| Total Cost of Capital Assets                                     | 2,756,411                   | 477,121           | (188,647)                         | 3,044,885                   | 720,254           | (250,761)                         | 3,514,378                   |
| Less Accumulated Depreciation/<br>Amortization                   | (1,207,617)                 | (90,938)          | 18,106                            | (1,280,449)                 | (103,449)         | (3,945)                           | (1,387,843)                 |
| <b>Total Capital Assets, Net</b>                                 | <b>\$ 1,548,794</b>         | <b>\$ 386,183</b> | <b>\$ (170,541)</b>               | <b>\$ 1,764,436</b>         | <b>\$ 616,805</b> | <b>\$ (254,706)</b>               | <b>\$ 2,126,535</b>         |

A— With the implementation of GASB 51, intangible assets and the related accumulated amortization are now included in Capital Assets. On July 1, 2009, OUS recorded net intangibles of \$12,529,000 relating to this implementation.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities comprised the following (in thousands):

|  | June 30,<br>2010  | June 30,<br>2009  |
|--|-------------------|-------------------|
| Services and Supplies                    | \$ 88,853         | \$ 97,268         |
| Accrued Interest                         | 23,576            | 23,128            |
| Salaries and Wages                       | 15,890            | 14,950            |
| Payroll Related Expenses                 | 4,933             | 4,472             |
| Contract Retainage Payable               | 8,085             | 7,959             |
| Matured Bonds, COPs and Interest Payable | 2,037             | 2,195             |
| Other                                    | 810               | 2                 |
|  | <u>\$ 144,184</u> | <u>\$ 149,974</u> |

**7. OPERATING LEASES**

**A. RECEIVABLES/REVENUES**

OUS receives income for land, property and equipment that is leased to non-State entities. Rental income received from leases was \$6,507,000 and \$7,180,000 for the years ended June 30, 2010 and 2009, respectively. The original cost of assets leased, net of depreciation, was \$45,879,000 and \$20,483,000 for the years ended June 30, 2010 and 2009, respectively. Minimum future lease revenue for non-cancelable operating leases at June 30, 2010 were (in thousands):

| For the year ending June 30,          |                  |
|---------------------------------------|------------------|
| 2011                                  | \$ 6,172         |
| 2012                                  | 4,922            |
| 2013                                  | 3,550            |
| 2014                                  | 2,246            |
| 2015                                  | 1,852            |
| 2016-2020                             | 8,233            |
| 2021-2025                             | 5,607            |
| 2026-2030                             | 6,491            |
| 2031-2035                             | 6,002            |
| 2036-2040                             | 3,506            |
| 2041-2045                             | 1,101            |
| 2046-2050                             | 687              |
| 2051-2055                             | 245              |
| Total Minimum Operating Lease Revenue | <u>\$ 50,614</u> |



**B. PAYABLES/EXPENSES**

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$13,920,000 and \$12,503,000 for the years ended June 30, 2010 and 2009, respectively. Minimum future lease payments on operating leases at June 30, 2010 were (in thousands):

| For the year ending June 30,           |                  |
|--|------------------|
| 2011                                   | \$ 11,172        |
| 2012                                   | 9,547            |
| 2013                                   | 9,407            |
| 2014                                   | 7,925            |
| 2015                                   | 7,270            |
| 2016-2020                              | 29,549           |
| 2021-2025                              | 20,632           |
| 2026-2030                              | 2,435            |
| 2031-2035                              | 977              |
| 2036-2040                              | 5                |
| Total Minimum Operating Lease Payments | <u>\$ 98,919</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

**8. LONG-TERM LIABILITIES**

Long-term liability activity was as follows (in thousands):

|   | Balance<br>June 30,<br>2009 |                   |                     | Balance<br>June 30,<br>2010 |                  | Amounts<br>due within<br>one year | Long-term<br>Portion |
|---|-----------------------------|-------------------|---------------------|-----------------------------|------------------|-----------------------------------|----------------------|
|   |                             | Additions         | Reductions          |                             |                  |                                   |                      |
| <b>Long-Term Debt</b>                     |                             |                   |                     |                             |                  |                                   |                      |
| General Obligation Bonds XI-F(1)          | \$ 946,099                  | \$ 232,330        | \$ (75,190)         | \$ 1,103,239                | \$ 30,667        | \$ 1,072,572                      |                      |
| General Obligation Bonds XI-G             | 317,795                     | 50,511            | (9,626)             | 358,680                     | 10,733           | 347,947                           |                      |
| Oregon Department of Energy Loans (SELP)  | 27,093                      | 32,077            | (1,844)             | 57,326                      | 2,572            | 54,754                            |                      |
| Certificates of Participation (COPs)      | 89,006                      | 32,262            | (7,247)             | 114,021                     | 8,384            | 105,637                           |                      |
| Lottery Bonds                             | 91,237                      |                   | (3,082)             | 88,155                      | 2,746            | 85,409                            |                      |
| Capital Leases                            | 132                         | 643               | (79)                | 696                         | 97               | 599                               |                      |
| Arbitrage                                 | 684                         | 17                | (128)               | 573                         | 386              | 187                               |                      |
| Other Notes Payable                       | 20                          |                   | (7)                 | 13                          | 13               | -                                 |                      |
| <b>Total Long-Term Debt</b>               | <b>1,472,066</b>            | <b>347,840</b>    | <b>(97,203)</b>     | <b>1,722,703</b>            | <b>55,598</b>    | <b>1,667,105</b>                  |                      |
| <b>Other Noncurrent Liabilities</b>       |                             |                   |                     |                             |                  |                                   |                      |
| Compensated Absences                      | 44,856                      | 45,043            | (44,856)            | 45,043                      | 41,254           | 3,789                             |                      |
| Other Postemployment Benefits             | 10,111                      | 1,943             |                     | 12,054                      |                  | 12,054                            |                      |
| Deferred Compensation                     |                             | 11,085            |                     | 11,085                      | 1,385            | 9,700                             |                      |
| Employee Termination Liabilities          |                             | 5,790             | (1,324)             | 4,466                       | 1,115            | 3,351                             |                      |
| Deferred Revenue                          |                             | 2,000             | (21)                | 1,979                       | 100              | 1,879                             |                      |
| Early Retirement Liability                | 383                         | 47                | (119)               | 311                         | 126              | 185                               |                      |
| <b>Total Other Noncurrent Liabilities</b> | <b>55,350</b>               | <b>65,908</b>     | <b>(46,320)</b>     | <b>74,938</b>               | <b>43,980</b>    | <b>30,958</b>                     |                      |
| <b>Total Long-Term Liabilities</b>        | <b>\$ 1,527,416</b>         | <b>\$ 413,748</b> | <b>\$ (143,523)</b> | <b>\$ 1,797,641</b>         | <b>\$ 99,578</b> | <b>\$ 1,698,063</b>               |                      |

|   | Balance<br>June 30,<br>2008 |                   |                     | Balance<br>June 30,<br>2009 |                   | Amounts<br>due within<br>one year | Long-term<br>Portion |
|---|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|-----------------------------------|----------------------|
|   |                             | Additions         | Reductions          |                             |                   |                                   |                      |
| <b>Long-Term Debt</b>                     |                             |                   |                     |                             |                   |                                   |                      |
| General Obligation Bonds XI-F(1)          | \$ 898,292                  | \$ 94,712         | \$ (46,905)         | \$ 946,099                  | \$ 35,386         | \$ 910,713                        |                      |
| General Obligation Bonds XI-G             | 246,517                     | 84,080            | (12,802)            | 317,795                     | 9,672             | 308,123                           |                      |
| Oregon Department of Energy Loans (SELP)  | 18,694                      | 10,035            | (1,636)             | 27,093                      | 1,691             | 25,402                            |                      |
| Certificates of Participation (COPs)      | 22,094                      | 71,131            | (4,219)             | 89,006                      | 7,229             | 81,777                            |                      |
| Lottery Bonds                             | 94,347                      |                   | (3,110)             | 91,237                      | 3,083             | 88,154                            |                      |
| Capital Leases                            | 113                         | 121               | (102)               | 132                         | 63                | 69                                |                      |
| Arbitrage                                 | 1,137                       | 5                 | (458)               | 684                         | 7                 | 677                               |                      |
| Other Notes Payable                       | 27                          |                   | (7)                 | 20                          | 8                 | 12                                |                      |
| <b>Total Long-Term Debt</b>               | <b>1,281,221</b>            | <b>260,084</b>    | <b>(69,239)</b>     | <b>1,472,066</b>            | <b>57,139</b>     | <b>1,414,927</b>                  |                      |
| <b>Other Noncurrent Liabilities</b>       |                             |                   |                     |                             |                   |                                   |                      |
| Compensated Absences                      | 41,018                      | 44,856            | (41,018)            | 44,856                      | 43,610            | 1,246                             |                      |
| Other Postemployment Benefits             | 5,150                       | 4,961             |                     | 10,111                      |                   | 10,111                            |                      |
| Early Retirement Liability                | 543                         |                   | (160)               | 383                         | 135               | 248                               |                      |
| <b>Total Other Noncurrent Liabilities</b> | <b>46,711</b>               | <b>49,817</b>     | <b>(41,178)</b>     | <b>55,350</b>               | <b>43,745</b>     | <b>11,605</b>                     |                      |
| <b>Total Long-Term Liabilities</b>        | <b>\$ 1,327,932</b>         | <b>\$ 309,901</b> | <b>\$ (110,417)</b> | <b>\$ 1,527,416</b>         | <b>\$ 100,884</b> | <b>\$ 1,426,532</b>               |                      |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

The schedule of principal and interest payments for OUS debt is as follows (in thousands):

| For the Year Ending June 30,                | General Obligation Bonds |                   | SELP             | COPs              | Lottery Bonds    | Capital Leases | Other Borrowings | Total Payments      | Principal    | Interest     |
|---|--------------------------|-------------------|------------------|-------------------|------------------|----------------|------------------|---------------------|--------------|--------------|
|   | XI-F(1)                  | XI-G              |                  |                   |                  |                |                  |                     |              |              |
| 2011  | \$ 77,236                | \$ 24,713         | \$ 5,725         | \$ 12,734         | \$ 6,484         | \$ 149         | \$ 374           | \$ 127,415          | \$ 44,516    | \$ 82,899    |
| 2012  | 88,683                   | 26,309            | 5,714            | 12,415            | 6,476            | 115            | 212              | 139,924             | 55,004       | 84,920       |
| 2013  | 88,169                   | 26,331            | 5,560            | 11,808            | 6,481            | 97             |                  | 138,446             | 54,650       | 83,796       |
| 2014  | 87,103                   | 26,402            | 5,349            | 10,456            | 7,524            | 94             |                  | 136,928             | 56,254       | 80,674       |
| 2015  | 83,333                   | 26,381            | 5,234            | 8,930             | 8,881            | 91             |                  | 132,850             | 56,716       | 76,134       |
| 2016-2020                                   | 411,210                  | 130,201           | 24,105           | 37,532            | 40,315           | 419            |                  | 643,782             | 301,309      | 342,473      |
| 2021-2025                                   | 360,346                  | 122,498           | 20,224           | 32,657            | 34,694           |                |                  | 570,419             | 334,869      | 235,550      |
| 2026-2030                                   | 316,931                  | 106,746           | 18,719           | 25,854            | 14,705           |                |                  | 482,955             | 337,188      | 145,767      |
| 2031-2035                                   | 236,389                  | 66,806            | 2,322            | 7,860             |                  |                |                  | 313,377             | 240,933      | 72,444       |
| 2036-2040                                   | 142,473                  | 35,261            |                  |                   |                  |                |                  | 177,734             | 159,740      | 17,994       |
| Accreted Interest                           |                          |                   |                  |                   |                  |                |                  |                     | 62,677       | (62,677)     |
|   |                          |                   |                  |                   |                  |                |                  |                     | \$ 1,703,856 | \$ 1,159,974 |
| <b>Total Future Debt Service</b>            | <b>1,891,873</b>         | <b>591,648</b>    | <b>92,952</b>    | <b>160,246</b>    | <b>125,560</b>   | <b>965</b>     | <b>586</b>       | <b>2,863,830</b>    |              |              |
| Less: Interest Component of Future Payments | (800,819)                | (233,413)         | (35,626)         | (50,320)          | (39,527)         | (269)          |                  | (1,159,974)         |              |              |
| <b>Principal Portion of Future Payments</b> | <b>1,091,054</b>         | <b>358,235</b>    | <b>57,326</b>    | <b>109,926</b>    | <b>86,033</b>    | <b>696</b>     | <b>586</b>       | <b>1,703,856</b>    |              |              |
| Adjusted by:                                |                          |                   |                  |                   |                  |                |                  |                     |              |              |
| Unamortized Bond Premiums                   | 25,198                   | 4,719             |                  | 4,095             | 2,413            |                |                  | 36,425              |              |              |
| Deferred Gain on Refunding                  | (13,013)                 | (4,274)           |                  |                   | (291)            |                |                  | (17,578)            |              |              |
| <b>Total Long-Term Debt</b>                 | <b>\$ 1,103,239</b>      | <b>\$ 358,680</b> | <b>\$ 57,326</b> | <b>\$ 114,021</b> | <b>\$ 88,155</b> | <b>\$ 696</b>  | <b>\$ 586</b>    | <b>\$ 1,722,703</b> |              |              |

### A. GENERAL OBLIGATION BONDS XI-F(1)

The Oregon Constitution authorizes OUS to issue Article XI-F (1) State of Oregon General Obligation Bonds. Article XI-F(1) bond issuances are used to finance the construction of self-liquidating and self-supporting projects with debt service generated by these projects or related projects/activities. OUS policy requires the establishment and maintenance of sinking funds and those funds are included in Cash and Cash Equivalents. See "Note 8. Long-term Liabilities, H. Defeased Debt" for information relating to debt issued to refund existing debt. XI-F(1) bonds, with effective yields ranging from 1.2 percent to 7.3 percent, are due serially through 2040.

During the fiscal year ended June 30, 2010, OUS issued bonded indebtedness as follows:

- XI-F(1) Taxable and Tax Exempt Bond Series 2010 ABC, \$224,835,000, average rate of 3.9 percent for capital construction and refunding due serially through 2040.

During the fiscal year ended June 30, 2009, OUS issued bonded indebtedness as follows:

- XI-F(1) Tax Exempt Bond Series 2009 A, \$85,685,000, effective rate of 4.8 percent for capital construction and refunding due serially through 2039.

### B. GENERAL OBLIGATION BONDS XI-G

The Oregon Constitution authorizes OUS to issue Article XI-G State of Oregon General Obligation Bonds. Article XI-G bond issuances are used to finance designated educational buildings and facilities with debt service funded by State legislative appropriation. See "Note 8. Long-term Liabilities, H. Defeased Debt" for information relating to debt issued to refund existing debt.

XI-G bonds, with effective yields ranging from 1.2 percent to 7.0 percent, are due serially through 2040.

During the fiscal year ended June 30, 2010, OUS issued bonded indebtedness as follows:

- XI-G Taxable and Tax Exempt Bonds Series 2010 DE, \$52,765,000, average rate of 4.7 percent for capital construction and refunding due serially through 2040.

During the fiscal year ended June 30, 2009, OUS issued bonded indebtedness as follows:

- XI-G Tax Exempt Bonds Series 2008 B, \$31,195,000, effective rate of 4.4 percent for capital construction and refunding due serially through 2039.
- XI-G Tax Exempt Bonds Series 2009 B, \$50,485,000, effective rate of 4.7 percent for capital construction and refunding due serially through 2039.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### C. OREGON DEPARTMENT OF ENERGY LOANS

OUS has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at OUS institutions. OUS makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.7 percent, are due through 2032.

### D. CERTIFICATES OF PARTICIPATION

Certificates of Participation (COPs) are issued to finance certain equipment, computer software purchases and construction projects. OUS makes payments (principal and interest) to a trustee in accordance with the interagency agreement. The trustee, in turn, makes the debt service payments to COPs holders. COPs, with effective yields ranging from .5 percent to 6.2 percent, are due through fiscal year 2035.

During the fiscal year ended June 30, 2010, OUS issued COPs as follows:

- Series 2010 AB, \$28,955,000, effective rate of 4.1 percent for technology projects and construction due serially through 2035.
- Series 2009 C, \$2,675,000, effective rate of 3.9 percent for technology projects and construction due serially through 2024.

During the fiscal year ended June 30, 2009, OUS issued COPs as follows:

- Series 2008 A, \$7,400,000, effective rate of 3.6 percent for technology projects and construction due serially through 2018.
- Series 2009 AB, \$60,485,000, effective rate of 4.3 percent for technology projects and construction due serially through 2029.

### E. LOTTERY BONDS

Lottery Bonds are special obligations of the State, secured and payable from net revenues of the Oregon State Lottery. Lottery Bonds are issued pursuant to ORS Chapters 286.560 to 286.580 and 348.716, and under the authority of ORS Chapter 942. Lottery Bonds, with effective yields ranging from 2.5 percent to 5.3 percent, are due through fiscal year 2028.

In fiscal years 2010 and 2009, the Oregon State Lottery issued no lottery bonds on behalf of OUS.

### F. 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 total arbitrage rebate liability as of June 30, 2010 and 2009 was \$573,000 and \$684,000, respectively.

### G. DEBT RELATED TO OREGON HEALTH & SCIENCE UNIVERSITY

Prior to 1996, Oregon Health & Science University (OHSU) was part of OUS. Pursuant to an act of the 1995 Oregon Legislature, OHSU became an independent public corporation. Consequently, OHSU is no longer included in the OUS financial statements.

The new public corporation was given ownership of all property related to OHSU, and assumed liability for all outstanding indebtedness that OUS had incurred for the benefit of OHSU.

A receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU (See Note 4). At June 30, 2010 and 2009, long-term debt of OUS that relates to OHSU was \$24,153,000 and \$27,388,000, respectively.

### H. DEFEASED DEBT

During the year ended June 30, 2010, OUS issued \$37,595,000 in XI-F(1) bonds with an average interest rate of 4.8 percent to refund \$39,515,000 in XI-F(1) bonds with an average interest rate of 4.7 percent. The net proceeds of the bonds were \$41,406,000 (after bond premium of \$1,745,000 and payment of \$205,000 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$1,239,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by \$3,594,000 and resulted in an economic gain of \$2,581,000.

During the year ended June 30, 2010, OUS issued \$5,025,000 in XI-G bonds with an average interest rate of 5.0 percent to refund \$5,455,000 in XI-G bonds with an average interest rate of 4.8 percent. The net proceeds of the bonds were \$5,568,000



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

(after bond premium of \$575,000 and payment of \$32,000 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$132,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 18 years by \$624,000 and resulted in an economic gain of \$418,000.

During the year ended June 30, 2009, OUS issued \$17,490,000 of XI-F(1) bonds with an average interest rate of 4.8 percent to refund \$18,300,000 in XI-F(1) bonds with an average interest rate of 4.7 percent. The net proceeds of the XI-F(1) bonds were \$18,640,000 (after bond premium of \$1,280,000 and payment of \$130,000 in underwriting fees, insurance, and other issuance costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$338,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next nine years by \$1,087,000 and resulted in an economic gain of \$798,000.

During the year ended June 30, 2009, OUS issued \$4,225,000 of XI-G bonds with an average interest rate of 4.1 percent to refund \$4,085,000 in XI-G bonds with an average interest rate of 4.9 percent. The net proceeds of the XI-G bonds were \$4,241,000 (after net premium of \$58,000 and payment of \$42,000 in underwriting fees, insurance, and other issuance costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$96,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by \$171,000 and resulted in an economic gain of \$128,000.

In prior years, OUS and OHSU defeased various bond issues by placing funds in an irrevocable trust to provide for all future debt service payments of the defeased bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

The total amount of the defeased debt outstanding but removed from the financial statements amounted to \$184,294,000 at June 30, 2010 and \$242,404,000 at June 30, 2009 of which \$47,000 and \$96,000, respectively, related to OHSU.

### I. CAPITAL LEASES

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$969,000 and \$326,000 as of June 30, 2010 and 2009, respectively. Accumulated depreciation of leased equipment totaled \$193,000 and \$148,000 for June 30, 2010 and 2009, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2020. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 1.2 percent to 13.4 percent with a weighted average interest rate of 7.8 percent.

### J. DEFERRED COMPENSATION

OUS has a Section 415(m) excess benefit plan at one university. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the OUS 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code Section 415.

### K. EMPLOYMENT TERMINATION

OUS has severance agreements with three former employees relating to early termination of their employment contracts. The future payout of these liabilities range from three to eight years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 3.4 to 3.8 percent.

### L. EARLY RETIREMENT LIABILITY

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing 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, 2010, 13 retirees were participating in the health and benefits option of this plan.

Early retirement liabilities comprised \$126,000 and \$135,000 in Current Portion of Long-Term Liabilities and \$185,000 and \$248,000 in Long-Term Liabilities as of June 30, 2010 and 2009, respectively. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of six percent.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### 9. UNRESTRICTED NET ASSETS

Unrestricted Net Assets comprised the following (in thousands):

|                                       | June 30,<br>2010  | June 30,<br>2009  |
|---------------------------------------|-------------------|-------------------|
| Budgeted Operating Funds              | \$ 161,389        | \$ 79,757         |
| Designated Operating Funds            | 27,268            | 25,567            |
| Service Department Funds              | 3,108             | 2,569             |
| Housing Funds                         | 30,467            | 23,594            |
| Intercollegiate Athletics Funds       | (17,061)          | (14,142)          |
| Other Auxiliary Funds and Other Funds | 43,808            | 32,710            |
| Unrestricted Endowment Funds          | 3,129             | 2,560             |
|                                       | <u>\$ 252,108</u> | <u>\$ 152,615</u> |

### 10. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

|  | June 30,<br>2010 | June 30,<br>2009 |
|--|------------------|------------------|
| Interest Income                                | \$ 4,810         | \$ 13,862        |
| Net Appreciation (Depreciation) of Investments | 8,985            | (14,251)         |
| Royalties and Technology Transfer Income       | 6,007            | 5,790            |
| Endowment Income                               | 2,645            | 2,626            |
| Trust Income Distribution                      | (2,642)          | (2,698)          |
| Dividend Income                                | 2                | 2                |
| Other  | 126              | -                |
|  | <u>\$ 19,933</u> | <u>\$ 5,331</u>  |

### 11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Assets report operating expenses by their functional classification. The following displays operating expenses by natural classification (in thousands):

|                               | June 30,<br>2010    | June 30,<br>2009    |
|-------------------------------|---------------------|---------------------|
| Compensation and Benefits     | \$ 1,276,719        | \$ 1,255,837        |
| Services and Supplies         | 456,852             | 465,293             |
| Scholarships and Fellowships  | 121,151             | 99,941              |
| Depreciation and Amortization | 103,449             | 90,938              |
| Other Expenses                | 4,542               | 3,926               |
|                               | <u>\$ 1,962,713</u> | <u>\$ 1,915,935</u> |

### 12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following (in thousands):

|                        | June 30, 2010         |                  |                              |                   |
|------------------------|-----------------------|------------------|------------------------------|-------------------|
|                        | General<br>Operations | Debt<br>Service  | Capital<br>Construc-<br>tion | Total             |
| General Fund           | \$ 337,852            | \$ 31,455        | \$ -                         | \$ 369,307        |
| SFSF (1)               | 30,000                |                  |                              | 30,000            |
| Lottery Funding        | 5,261                 | 6,034            |                              | 11,295            |
| Harvest Tax            | 2,455                 |                  |                              | 2,455             |
| Total State            | <u>375,568</u>        | <u>37,489</u>    | <u>-</u>                     | <u>413,057</u>    |
| Federal Appropriations | 9,099                 |                  |                              | 9,099             |
| County Appropriations  | 6,368                 |                  |                              | 6,368             |
| Total Appropriations   | <u>\$ 391,035</u>     | <u>\$ 37,489</u> | <u>\$ -</u>                  | <u>\$ 428,524</u> |

|                        | June 30, 2009         |                  |                              |                   |
|------------------------|-----------------------|------------------|------------------------------|-------------------|
|                        | General<br>Operations | Debt<br>Service  | Capital<br>Construc-<br>tion | Total             |
| General Fund           | \$ 323,726            | \$ 21,548        | \$ 11,718                    | \$ 356,992        |
| SFSF (1)               | 55,636                |                  |                              | 55,636            |
| Lottery Funding        | 6,840                 | 4,207            |                              | 11,047            |
| Harvest Tax            | 3,030                 |                  |                              | 3,030             |
| Total State            | <u>389,232</u>        | <u>25,755</u>    | <u>11,718</u>                | <u>426,705</u>    |
| Federal Appropriations | 8,169                 |                  |                              | 8,169             |
| County Appropriations  | 5,266                 |                  |                              | 5,266             |
| Total Appropriations   | <u>\$ 402,667</u>     | <u>\$ 25,755</u> | <u>\$ 11,718</u>             | <u>\$ 440,140</u> |

(1) OUS's allocation of State Fiscal Stabilization Funds (SFSF). SFSF were provided to the State of Oregon by the Federal Government as one component of the American Recovery and Reinvestment Act. The State of Oregon appropriated the SFSF funds to OUS as part of the 2009-11 biennial appropriation to fund OUS.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### 13. EMPLOYEE RETIREMENT PLANS

OUS offers various retirement plans to qualified employees as described below.

#### Oregon Public Employees Retirement System/Oregon Public Service Retirement Plan

Oregon Public Employees Retirement System (System) holds assets in a pension trust and offers two retirement plans in which OUS employees are eligible to participate, the State of Oregon Public Employees Retirement System and the Oregon Public Service Retirement Plan. These plans are administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

The **State of Oregon Public Employees Retirement System** (PERS) is a single pension plan that features both a cost-sharing multi-employer defined benefit plan and an agency multiple-employer pension plan. The 1995 Oregon Legislature enacted a law creating two tiers of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

Tier One members are eligible for retirement with unreduced benefits at age 58 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

Tier Two members are eligible for retirement with unreduced benefits at age 60 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 60 with less than 30 years of service.

PERS contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. PERS collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The employer contribution rate for Tier One and Two was 2.06 percent and 6.54 percent for the fiscal years ended 2010 and 2009, respectively.

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of \$2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 5.95 percent. Payroll assessments for the fiscal years ended June 30, 2010 and 2009 were \$27,621,000 and \$26,819,000, respectively.

The **Oregon Public Service Retirement Plan** (OPSRP) is a single pension plan that features both a defined benefit plan and a defined contribution plan. The 2003 Oregon Legislature enacted a law creating OPSRP. Employees hired into eligible positions after August 28, 2003 are enrolled.

OPSRP members are eligible for retirement with unreduced benefits at age 65 or age 58 with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer, except for one union at PSU where employees self pay. The employer contribution rate for OPSRP was 2.84 percent and 8.03 percent for the fiscal years ended 2010 and 2009, respectively.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2007. The valuation included projected payroll

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2008, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$53.9 billion and \$336.8 million, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$38.1 billion and \$270.5 million, respectively. Information for OUS as a stand-alone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68<sup>th</sup> Parkway, Tigard, OR 97223, or by linking on the internet at [http://www.oregon.gov/PERS/docs/financial\\_reports/2009\\_cafr.pdf](http://www.oregon.gov/PERS/docs/financial_reports/2009_cafr.pdf), or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OUS employer contributions to PERS and OPSRP for the years ended June 30, 2010 and 2009 were \$10,761,000 and \$31,512,000, respectively, equal to the required contributions for those years.

### Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation that authorized OUS to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and established trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to OUS unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

|                  | 2010   | 2009   |
|------------------|--------|--------|
| ORP Tier One     | 11.89% | 16.01% |
| ORP Tier Two     | 11.89% | 16.01% |
| OPSRP Equivalent | 5.89%  | 5.82%  |

### Teacher's Insurance and Annuity Association/College Retirement Equities Fund

Eligible unclassified employees may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of \$4,800 per calendar year. Employee contributions are directed to PERS on the first \$4,800. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

### Federal Civil Service Retirement

Some Extension Service employees at Oregon State University hold federal appointments. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act (FICA), CSRS employee deduction of 7.0 percent, and employer contribution of 8.51 percent, and are also eligible for optional membership in PERS.

The Federal Employees Retirement System (FERS) was created beginning January 1, 1987. Employees on Federal appointment hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8 percent with an employer contribution rate of 10.7 percent, which changed to 11.2 percent effective October 1, 2004. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate. They also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1 percent. Employees may also contribute to this plan at variable rates up to 12 percent, in which case the employer contributes at a variable rate up to 5 percent. CSRS employees are also eligible for participation in the Thrift Savings Plan but without employer contributions.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

#### Summary of Pension Payments

OUS total payroll for the year ended June 30, 2010 was \$872,644,000, of which \$707,392,000 was subject to retirement contributions. The following schedule lists payments made by OUS to pension plans for the fiscal year (dollars in thousands):

|            | June 30, 2010                 |                                 |                               |                                 |
|------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|            | Employer<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll | Employee<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll |
| PERS/OPSRP | \$ 10,761                     | 1.52%                           | \$ 27,597                     | 3.90%                           |
| ORP        | 21,002                        | 2.97%                           | 13,630                        | 1.93%                           |
| TIAA-CREF  | 244                           | 0.03%                           | 244                           | 0.03%                           |
| Federal    | 424                           | 0.06%                           | 156                           | 0.02%                           |
| FERS - TSP | 119                           | 0.02%                           | 335                           | 0.05%                           |
|            | \$ 32,550                     | 4.60%                           | \$ 41,962                     | 5.93%                           |

Of the employee share, the employer paid \$27,319,000 of PERS/OPSRP, \$13,582,000 of ORP, and \$244,000 of TIAA-CREF during the fiscal year ended June 30, 2010. The federal contributions of \$156,000 represent FERS and CSRS employees, and the \$335,000 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2010.

OUS total payroll for the year ended June 30, 2009 was \$848,772,000, of which \$681,940,000 was subject to retirement contributions. The following schedule lists payments made by OUS to pension plans for the fiscal year (dollars in thousands):

|            | June 30, 2009                 |                                 |                               |                                 |
|------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|            | Employer<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll | Employee<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll |
| PERS/OPSRP | \$ 31,512                     | 4.62%                           | \$ 26,851                     | 3.94%                           |
| ORP        | 25,784                        | 3.78%                           | 13,067                        | 1.91%                           |
| TIAA-CREF  | 245                           | 0.04%                           | 245                           | 0.04%                           |
| Federal    | 432                           | 0.06%                           | 161                           | 0.02%                           |
| FERS - TSP | 122                           | 0.02%                           | 331                           | 0.05%                           |
|            | \$ 58,095                     | 8.52%                           | \$ 40,655                     | 5.96%                           |

Of the employee share, the employer paid \$26,638,000 of PERS/OPSRP, \$13,024,000 of ORP, and \$245,000 of TIAA-CREF during the fiscal year ended June 30, 2009. The federal contributions of \$161,000 represent FERS and CSRS employees, and the \$331,000 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2009.

## 14. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* OUS 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. Chapter 243 of the ORS assigns 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. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows OUS employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an “implicit rate subsidy” because the healthcare insurance premiums paid by OUS for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to OUS’s share, estimated at 26 percent of the total PEBB plan costs attributable to the State of Oregon. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2010.

*Funding Policy.* OUS’s current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2010 and 2009, OUS paid healthcare insurance premiums of \$163,612,000 and \$152,902,000, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$2,145,000 and \$4,023,000 for the fiscal years ended 2010 and 2009, respectively.

*Annual OPEB Cost and Net OPEB Obligation.* OUS’s annual OPEB expense is calculated based on OUS’s annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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. The following table shows the components of OUS’s annual OPEB expense for the year, the amount actually contributed to the plan, and changes in OUS’s net OPEB obligation (in thousands):

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|  | June 30,<br>2010 |
|--|------------------|
| Annual Required Contribution               | \$ 4,259         |
| Interest on Net OPEB Obligation            | 409              |
| Adjustment to Annual Required Contribution | (580)            |
| Annual OPEB Cost                           | 4,088            |
| Contributions Made                         | (2,145)          |
| Increase in Net OPEB Obligation            | 1,943            |
| Net OPEB Obligation - Beginning of Year    | 10,111           |
| Net OPEB Obligation - End of Year          | \$ 12,054        |

The OUS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended 2010 and 2009 were as follows (dollars in thousands):

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed |    | Net OPEB Obligation |
|------------|------------------|--|----|---------------------|
| 2009       | \$ 8,984         | 45%  | \$ | 4,961               |
| 2010       | 4,088            | 48%  |    | 2,145               |

*Funding Status and Funding Progress.* The funded status of the OUS OPEB plan for the current year was as follows (dollars in thousands):

|   | June 30,<br>2010 |
|---|------------------|
| Actuarial Accrued Liabilities   | \$ 41,250        |
| Actuarial Value of Plan Assets  | -                |
| Unfunded Actuarial Accrued Liability                                    | \$ 41,250        |
| Funded Ratio  | 0.00%            |
| Covered Payroll (active plan members)                                   | \$ 660,903       |
| Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll | 6.24%            |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

*Accrual Methods and Assumptions.* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between OUS and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

|                                     |                               |
|-------------------------------------|-------------------------------|
| Actuarial Valuation Date            | 7/1/2009                      |
| Actuarial Cost Method               | Entry Age Normal              |
| Amortization Method                 | Level Dollar                  |
| Amortization Period                 | 30 Years (open)               |
| Investment Rate of Return           | 4%                            |
| Projected Salary Increases          | N/A                           |
| Initial Healthcare Inflation Rates  | 8.4% (medical), 5.8% (dental) |
| Ultimate Healthcare Inflation Rates | 4.5% (medical), 4.5% (dental) |

### Required Supplementary Information (dollars in thousands)

| Schedule of Funding Progress |                     |                                |                  |             |                     |   |
|------------------------------|---------------------|--------------------------------|------------------|-------------|---------------------|---|
|                              |                     | Actuarial                      | Unfunded         | Funded      |                     | UAAL as a                               |
| Fiscal Year Ended            | Value of Assets (a) | Liability (AAL)- Entry Age (b) | AAL (UAAL) (b-a) | Ratio (a/b) | Covered Payroll (c) | Percentage of Covered Payroll ((b-a)/c) |
| 6/30/2008                    | \$ -                | \$ 81,908                      | \$ 81,908        | 0.0%        | \$ 535,865          | 15.3%                                   |
| 6/30/2009                    | -                   | 81,908                         | 81,908           | 0.0%        | 535,865             | 15.3%                                   |
| 6/30/2010                    | -                   | 41,250                         | 41,250           | 0.0%        | 660,903             | 6.2%                                    |

## 15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which OUS is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2010 and 2009, was \$6,360,000 and \$4,882,000, respectively.

## 16. RISK FINANCING

As a state agency, OUS participates in the state insurance fund managed by the State of Oregon Risk Management Division of the Department of Administrative Services (Division).

By participating, OUS transfers the following risks to the state insurance fund:

- Direct physical loss or damage to OUS property
- Tort liability claims brought against OUS, its officers, employees or agents
- Workers' compensation
- Employee dishonesty

The fund is backed by commercial policies, 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

not covered by the fund. The amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

OUS is charged an assessment to cover the Division's cost of servicing claims and payments, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and Division expenses.

In addition, OUS purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association and the National Association of Intercollegiate Athletics, and to provide coverage for special events and student liability.

### 17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately \$437,795,000 and \$447,274,000 at June 30, 2010 and 2009, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OUS funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2010.

OUS is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

OUS participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS. OUS reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OUS cannot be reasonably determined at June 30, 2010.

#### Construction Commitments as of June 30, 2010

(In thousands)

| Campus/Project Description                                    | Total<br>Commitment | Completed<br>to Date | Outstanding<br>Commitment |
|---|---------------------|----------------------|---------------------------|
| <b>Eastern Oregon University:</b>                             |                     |                      |                           |
| Inlow Hall Upgrade  | \$ 6,339            | \$ 4,278             | \$ 2,061                  |
| <b>Oregon Institute of Technology:</b>                        |                     |                      |                           |
| Geothermal Power Plant  | 2,178               | 5                    | 2,173                     |
| <b>Oregon State University:</b>                               |                     |                      |                           |
| Linus Pauling Institute                                       | 62,932              | 20,711               | 42,221                    |
| INTO-OSU Living Learning Ctr                                  | 52,000              | 5,169                | 46,831                    |
| Nash Hall Renovation  | 14,215              | 7,912                | 6,303                     |
| Capital Renovations   | 11,582              | 10,142               | 1,440                     |
| Education Hall Remodel  | 8,682               | 1,337                | 7,345                     |
| Animal Research Pavilion                                      | 7,240               | 141                  | 7,099                     |
| Intramural Sports Complex                                     | 7,450               | 715                  | 6,735                     |
| New Energy Center   | 6,500               | 5,530                | 970                       |
| Reser Stadium   | 6,060               | 2,017                | 4,043                     |
| Student Success Center  | 5,338               | 1,012                | 4,326                     |
| Hallie Ford Center  | 5,000               | 1,937                | 3,063                     |
| HP Building 11 Renovation                                     | 4,750               | 1,567                | 3,183                     |
| Arnold Dining   | 4,500               | 794                  | 3,706                     |
| McAlexander Field House                                       | 3,250               | 375                  | 2,875                     |
| Poling Remodel  | 3,000               | 284                  | 2,716                     |
| Natl Wave Energy Research Ctr                                 | 3,000               | 501                  | 2,499                     |
| Owen Hall Remodel   | 1,400               | 604                  | 796                       |
| <b>Portland State University:</b>                             |                     |                      |                           |
| Science Buildings I and II                                    | 41,337              | 24,010               | 17,327                    |
| Lincoln Hall Renovation                                       | 29,813              | 23,025               | 6,788                     |
| Market Center Acquisition                                     | 24,000              | 60                   | 23,940                    |
| Campas Loop Maintenance                                       | 15,635              | 8,451                | 7,184                     |
| Capital Repair  | 10,899              | 7,929                | 2,970                     |
| NW Engineering Center   | 4,167               | 2,661                | 1,506                     |
| Office of Information Technology                              | 3,589               | 1,450                | 2,139                     |
| <b>University of Oregon:</b>                                  |                     |                      |                           |
| Basketball Arena Project                                      | 192,637             | 128,890              | 63,747                    |
| Central Power Station Addition                                | 70,780              | 51,287               | 19,493                    |
| Autzen Stadium Expansion                                      | 60,289              | 59,765               | 524                       |
| East Campus Residence Hall                                    | 36,100              | 2,983                | 33,117                    |
| Lewis Integrative Science Building                            | 30,500              | 1,206                | 29,294                    |
| Gilbert Hall Remodel  | 28,543              | 27,295               | 1,248                     |
| Resident Hall Building Repairs                                | 19,303              | 18,756               | 547                       |
| Underground Parking Structure                                 | 16,600              | 14,032               | 2,568                     |
| Alumni Center   | 15,950              | 10,029               | 5,921                     |
| Erb Memorial Union Renovation                                 | 7,671               | 4,566                | 3,105                     |
| Fenton Hall Renovation  | 4,961               | 784                  | 4,177                     |
| Barnhart Hall Upgrades  | 4,600               | 40                   | 4,560                     |
| Living Learning Center  | 3,775               | 2,400                | 1,375                     |
| Riverfront Research Park                                      | 1,195               | 192                  | 1,003                     |
| <b>Western Oregon University:</b>                             |                     |                      |                           |
| Health Wellness Center  | 21,151              | 4,430                | 16,721                    |
| Live and Learn Residence Hall                                 | 19,500              | 14,545               | 4,955                     |
| Math/Nursing Facility   | 4,005               | 3,016                | 989                       |
| Humanities and Social Science Bldg                            | 3,736               | 2,097                | 1,639                     |
| Classroom and Office Building                                 | 3,000               | 1,231                | 1,769                     |
| <b>Projects with &lt;\$500 thousand remaining to be spent</b> |                     |                      |                           |
|   | 246,237             | 242,120              | 4,117                     |
| <b>Project Budgets &lt;\$1 million</b>                        |                     |                      |                           |
|   | 126,770             | 102,083              | 24,687                    |
|   | <b>\$ 1,262,159</b> | <b>\$ 824,364</b>    | <b>\$ 437,795</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### 18. UNIVERSITY FOUNDATIONS

Under policies approved by the Board, individual university foundations may be established to provide assistance in fundraising, public outreach and other support for the missions of OUS universities. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although OUS universities do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that each foundation holds and invests are restricted to the activities of OUS universities by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of, the universities, the foundations are considered component units of OUS and are discretely presented in the OUS financial statements.

The financial activity is reported for the years ended June 30, 2010 and 2009, except for Eastern Oregon University Foundation reporting for December 31, 2009 and 2008.

During the years ended June 30, 2010 and 2009, gifts of \$151,293,000 and \$142,973,000, respectively, were transferred from university foundations to OUS universities. All of the OUS affiliated foundations are audited annually and received unqualified audit opinions except for the following:

Agricultural Research Foundation financial statements are prepared on the cash basis of accounting which does not conform to generally accepted accounting principles (GAAP); Oregon Tech Foundation financial statements contained a gift of privately held stock that could not be valued by the report date. The effect of these GAAP departures are not material to the total component units.

Please see the combining financial statements for the OUS component units on the following pages.

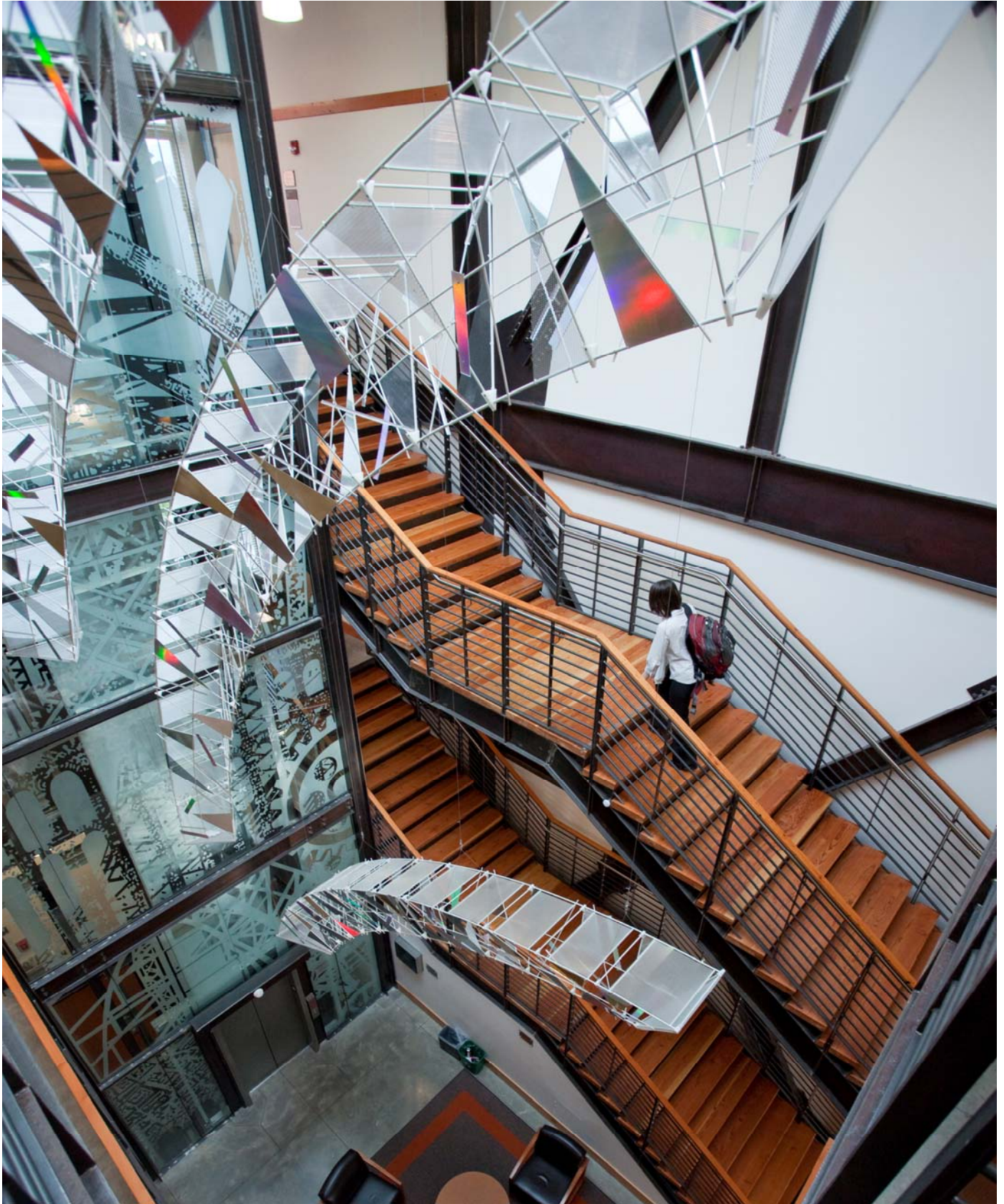
Complete financial statements for the foundations may be obtained by writing to the following:

- Eastern Oregon University Foundation, One University Blvd., La Grande, OR 97850
- Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR 97601-8801
- Oregon State University Foundation, 850 SW 35<sup>th</sup> Street, PO Box 1438, Corvallis, OR 97339-1438
- Portland State University Foundation, 2125 SW Fourth Avenue, Suite 510, Portland, OR 97201
- Southern Oregon University Foundation, 1250 Siskiyou Boulevard, Ashland, OR 97520-5043

- University of Oregon Foundation, 360 E. 10th, Suite 202, Eugene, OR 97401
- Western Oregon University Development Foundation, 345 North Monmouth Avenue, The Cottage, Monmouth, OR 97361
- Agricultural Research Foundation, Strand Agricultural Hall - Suite 100, Oregon State University, Corvallis, OR 97331-2219



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### COMPONENT UNITS

#### COMBINING FINANCIAL STATEMENTS

#### STATEMENTS OF FINANCIAL POSITION

As of June 30, 2010 (in thousands)

|   | Eastern<br>Oregon<br>University<br>Foundation * | Oregon<br>Tech<br>Foundation | Oregon<br>State<br>University<br>Foundation |
|---|---|------------------------------|---|
| <b>ASSETS</b>                                     |   |                              |   |
| Cash and Cash Equivalents                         | \$ 946  | \$ 125                       | \$ 10,324                                   |
| Contributions, Pledges and Grants Receivable, Net | 230   | 3,548                        | 47,803                                      |
| Investments                                       | 4,657   | 16,887                       | 394,277                                     |
| Prepaid or Deferred Expenses, and Other Assets    | 3   | 157                          | 16,099                                      |
| Property and Equipment, Net                       | 1,314   |                              | 8,471                                       |
| <b>Total Assets</b>                               | <b>\$ 7,150</b>                                 | <b>\$ 20,717</b>             | <b>\$ 476,974</b>                           |

#### LIABILITIES

|   |               |                 |                  |
|---|---------------|-----------------|------------------|
| Accounts Payable and Accrued Liabilities                  |               | \$ 229          | \$ 9,861         |
| Accounts Payable to Universities                          |               |                 | 991              |
| Obligations to Beneficiaries of Split-Interest Agreements |               | 71              | 25,536           |
| Deposits and Deferred Revenue                             | \$ 103        |                 |                  |
| Long-Term Liabilities                                     |               | 3,719           |                  |
| <b>Total Liabilities</b>                                  | <b>\$ 103</b> | <b>\$ 4,019</b> | <b>\$ 36,388</b> |

#### NET ASSETS

|                         |                 |                  |                   |
|-------------------------|-----------------|------------------|-------------------|
| Unrestricted (Deficit)  | \$ 694          | \$ 8,892         | \$ (16,125)       |
| Temporarily Restricted  | 3,757           | 2,674            | 176,617           |
| Permanently Restricted  | 2,596           | 5,132            | 280,094           |
| <b>Total Net Assets</b> | <b>\$ 7,047</b> | <b>\$ 16,698</b> | <b>\$ 440,586</b> |

#### STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2010 (in thousands)

#### REVENUES

|   |              |              |                |
|---|--------------|--------------|----------------|
| Grants, Bequests and Gifts                | \$ 509       | \$ 1,089     | \$ 58,447      |
| Interest and Dividends                    |              |              | 8,990          |
| Investment Income (Loss), Net             | 617          | 1,387        | 25,770         |
| Change in Value of Life Income Agreements |              | 169          | 4,157          |
| Other Revenues                            | 174          | 21           | 12,726         |
| <b>Total Revenues</b>                     | <b>1,300</b> | <b>2,666</b> | <b>110,090</b> |

#### EXPENSES

|  |              |              |               |
|--|--------------|--------------|---------------|
| General and Administrative                                       | 258          | 176          | 15,598        |
| Development Expenses   |              |              |               |
| University Support   | 356          | 1,459        | 48,560        |
| Other Expenses   |              |              | 6,474         |
| <b>Total Expenses</b>  | <b>614</b>   | <b>1,635</b> | <b>70,632</b> |
| <b>Increase In Net Assets Before Other Changes in Net Assets</b> | <b>686</b>   | <b>1,031</b> | <b>39,458</b> |
| Other Changes in Net Assets                                      | 1,492        | 95           |               |
| <b>Increase In Net Assets</b>                                    | <b>2,178</b> | <b>1,126</b> | <b>39,458</b> |

#### NET ASSETS

|                       |                 |                  |                   |
|-----------------------|-----------------|------------------|-------------------|
| Beginning Balance     | 4,869           | 15,572           | 401,128           |
| <b>Ending Balance</b> | <b>\$ 7,047</b> | <b>\$ 16,698</b> | <b>\$ 440,586</b> |

\* As of December 31, 2009

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

| Portland<br>State<br>University<br>Foundation | Southern<br>Oregon<br>University<br>Foundation | University<br>of<br>Oregon<br>Foundation | Western<br>Oregon<br>University<br>Development<br>Foundation | Agricultural<br>Research<br>Foundation | Total<br>Component<br>Units |
|---|--|--|--|--|-----------------------------|
| \$ 760  | \$ 1,436                                       | \$ 32,254                                | \$ 632   | \$ 3,418                               | \$ 49,895                   |
| 2,010   | 257  | 145,939                                  | 64   |  | 199,851                     |
| 47,977  | 14,574   | 544,571                                  | 9,017  | 15,218                                 | 1,047,178                   |
| 7,737   | 733  | 14,289                                   | 420  |  | 39,438                      |
| 38,222  | 1,412  |  | 185  | 19                                     | 49,623                      |
| <b>\$ 96,706</b>                              | <b>\$ 18,412</b>                               | <b>\$ 737,053</b>                        | <b>\$ 10,318</b>   | <b>\$ 18,655</b>                       | <b>\$ 1,385,985</b>         |
| \$ 1,684                                      | \$ 18  | \$ 2,923                                 |  |  | \$ 14,715                   |
| 326   | 307  | 2,345                                    |  |  | 3,969                       |
| 733   | 574  | 42,806                                   | \$ 1,043   |  | 70,763                      |
| 39  | 161  | 10,665                                   |  |  | 10,968                      |
| 49,817  | 1,435  | 24,005                                   |  |  | 78,976                      |
| <b>\$ 52,599</b>                              | <b>\$ 2,495</b>                                | <b>\$ 82,744</b>                         | <b>\$ 1,043</b>  | <b>\$ -</b>                            | <b>\$ 179,391</b>           |
| \$ (6,475)                                    | \$ (2,230)                                     | \$ (6,509)                               | \$ 777   | \$ 1,433                               | \$ (19,543)                 |
| 20,985  | 2,959  | 342,158                                  | 1,882  | 16,324                                 | 567,356                     |
| 29,597  | 15,188   | 318,660                                  | 6,616  | 898                                    | 658,781                     |
| <b>\$ 44,107</b>                              | <b>\$ 15,917</b>                               | <b>\$ 654,309</b>                        | <b>\$ 9,275</b>  | <b>\$ 18,655</b>                       | <b>\$ 1,206,594</b>         |
| \$ 11,514                                     | \$ 1,597                                       | \$ 78,200                                | \$ 771   | \$ 6,672                               | \$ 158,799                  |
|   | 304  | 3,432                                    | 324  |  | 13,050                      |
| 3,577   | 1,134  | 31,233                                   | 472  | 1,173                                  | 65,363                      |
|   | (62)   | 3,775                                    |  |  | 8,039                       |
| 8,713   | 409  | 2,542                                    | 262  |  | 24,847                      |
| <b>23,804</b>                                 | <b>3,382</b>                                   | <b>119,182</b>                           | <b>1,829</b>   | <b>7,845</b>                           | <b>270,098</b>              |
| 1,467   | 342  | 5,463                                    | 130  |  | 23,434                      |
|   |  |  |  | 5,610                                  | 5,610                       |
| 16,250  | 1,567  | 113,463                                  | 1,039  |  | 182,694                     |
|   | 404  |  | 24   |  | 6,902                       |
| <b>17,717</b>                                 | <b>2,313</b>                                   | <b>118,926</b>                           | <b>1,193</b>   | <b>5,610</b>                           | <b>218,640</b>              |
| <b>6,087</b>                                  | <b>1,069</b>                                   | <b>256</b>                               | <b>636</b>   | <b>2,235</b>                           | <b>51,458</b>               |
|   |  |  |  |  | 1,587                       |
| <b>6,087</b>                                  | <b>1,069</b>                                   | <b>256</b>                               | <b>636</b>   | <b>2,235</b>                           | <b>53,045</b>               |
| 38,020  | 14,848   | 654,053                                  | 8,639  | 16,420                                 | 1,153,549                   |
| <b>\$ 44,107</b>                              | <b>\$ 15,917</b>                               | <b>\$ 654,309</b>                        | <b>\$ 9,275</b>  | <b>\$ 18,655</b>                       | <b>\$ 1,206,594</b>         |



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

### COMPONENT UNITS

#### COMBINING FINANCIAL STATEMENTS

| STATEMENTS OF FINANCIAL POSITION                          | Eastern<br>Oregon<br>University<br>Foundation * | Oregon<br>Tech<br>Foundation | Oregon<br>State<br>University<br>Foundation |
|---|---|------------------------------|---|
| As of June 30, 2009 (in thousands)                        |   |                              |   |
| <b>ASSETS</b>   |   |                              |   |
| Cash and Cash Equivalents                                 | \$ 960  | \$ 333                       | \$ 5,572                                    |
| Contributions, Pledges and Grants Receivable, Net         | 122   | 3,514                        | 43,567                                      |
| Investments   | 3,908   | 15,311                       | 360,381                                     |
| Prepaid or Deferred Expenses, and Other Assets            | 10  | 155                          | 14,874                                      |
| Property and Equipment, Net                               |   |                              | 8,839                                       |
| <b>Total Assets</b>                                       | <b>\$ 5,000</b>                                 | <b>\$ 19,313</b>             | <b>\$ 433,233</b>                           |
| <b>LIABILITIES</b>  |   |                              |   |
| Accounts Payable and Accrued Liabilities                  |   | \$ 90                        | \$ 1,599                                    |
| Accounts Payable to Universities                          |   |                              | 6,552                                       |
| Obligations to Beneficiaries of Split-Interest Agreements |   | 92                           | 23,954                                      |
| Deposits and Deferred Revenue                             | \$ 131  |                              |   |
| Long-Term Liabilities                                     |   | 3,559                        |   |
| <b>Total Liabilities</b>                                  | <b>\$ 131</b>                                   | <b>\$ 3,741</b>              | <b>\$ 32,105</b>                            |
| <b>NET ASSETS</b>   |   |                              |   |
| Unrestricted (Deficit)                                    | \$ 371  | \$ 8,181                     | \$ (22,939)                                 |
| Temporarily Restricted                                    | 1,686   | 2,512                        | 159,201                                     |
| Permanently Restricted                                    | 2,812   | 4,879                        | 264,866                                     |
| <b>Total Net Assets</b>                                   | <b>\$ 4,869</b>                                 | <b>\$ 15,572</b>             | <b>\$ 401,128</b>                           |
| <b>STATEMENTS OF ACTIVITIES</b>                           |   |                              |   |
| For the Year Ended June 30, 2009 (in thousands)           |   |                              |   |
| <b>REVENUES</b>   |   |                              |   |
| Grants, Bequests and Gifts                                | \$ 2,045  | \$ 939                       | \$ 58,380                                   |
| Interest and Dividends                                    |   |                              | 8,913                                       |
| Investment Income (Loss), Net                             | (844)   | (2,096)                      | (99,138)                                    |
| Change in Value of Life Income Agreements                 |   | (220)                        | (6,172)                                     |
| Other Revenues  | 98  | 27                           | 12,088                                      |
| <b>Total Revenues</b>                                     | <b>1,299</b>                                    | <b>(1,350)</b>               | <b>(25,929)</b>                             |
| <b>EXPENSES</b>   |   |                              |   |
| General and Administrative                                | 114   | 140                          | 16,722                                      |
| Development Expenses                                      |   |                              |   |
| University Support  | 449   | 3,203                        | 75,509                                      |
| Other Expenses  |   |                              | 6,975                                       |
| <b>Total Expenses</b>                                     | <b>563</b>                                      | <b>3,343</b>                 | <b>99,206</b>                               |
| <b>Increase (Decrease) In Net Assets</b>                  | <b>736</b>                                      | <b>(4,693)</b>               | <b>(125,135)</b>                            |
| <b>NET ASSETS</b>   |   |                              |   |
| Beginning Balance   | 4,133   | 20,265                       | 526,263                                     |
| <b>Ending Balance</b>                                     | <b>\$ 4,869</b>                                 | <b>\$ 15,572</b>             | <b>\$ 401,128</b>                           |

\* As of December 31, 2008



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

| Portland<br>State<br>University<br>Foundation | Southern<br>Oregon<br>University<br>Foundation | University<br>of<br>Oregon<br>Foundation | Western<br>Oregon<br>University<br>Development<br>Foundation | Agricultural<br>Research<br>Foundation | Total<br>Component<br>Units |
|---|--|--|--|--|-----------------------------|
| \$ 567  | \$ 1,868                                       | \$ 47,117                                | \$ 536   | \$ 1,383                               | \$ 58,336                   |
| 3,193   | 342  | 185,853                                  | 477  |  | 237,068                     |
| 40,871  | 13,152   | 467,921                                  | 8,025  | 15,019                                 | 924,588                     |
| 7,798   | 680  | 13,833                                   | 101  |  | 37,451                      |
| 39,186  | 1,412  |  | 550  | 18                                     | 50,005                      |
| <b>\$ 91,615</b>                              | <b>\$ 17,454</b>                               | <b>\$ 714,724</b>                        | <b>\$ 9,689</b>  | <b>\$ 16,420</b>                       | <b>\$ 1,307,448</b>         |
| \$ 1,825                                      | \$ 347   | \$ 7,460                                 |  |  | \$ 11,321                   |
| 386   |  | 412                                      |  |  | 7,350                       |
| 835   | 466  | 37,543                                   | \$ 1,050   |  | 63,940                      |
| 28  | 158  | 10,572                                   |  |  | 10,889                      |
| 50,521  | 1,635  | 4,684                                    |  |  | 60,399                      |
| <b>\$ 53,595</b>                              | <b>\$ 2,606</b>                                | <b>\$ 60,671</b>                         | <b>\$ 1,050</b>  | <b>\$ -</b>                            | <b>\$ 153,899</b>           |
| \$ (8,824)                                    | \$ (2,959)                                     | \$ (127)                                 | \$ 749   | \$ 1,515                               | \$ (24,033)                 |
| 18,616  | 2,869  | 344,356                                  | 1,592  | 14,012                                 | 544,844                     |
| 28,228  | 14,938   | 309,824                                  | 6,298  | 893                                    | 632,738                     |
| <b>\$ 38,020</b>                              | <b>\$ 14,848</b>                               | <b>\$ 654,053</b>                        | <b>\$ 8,639</b>  | <b>\$ 16,420</b>                       | <b>\$ 1,153,549</b>         |
| \$ 9,927                                      | \$ 2,772                                       | \$ 78,481                                | \$ 1,659   | \$ 6,507                               | \$ 160,710                  |
|   | 531  | 1,252                                    |  |  | 10,696                      |
| (1,079)                                       | (5,011)  | (73,212)                                 | (668)  | 752                                    | (181,296)                   |
|   | (58)   | (13,415)                                 |  |  | (19,865)                    |
| 1,457   | 575  | 3,477                                    | 215  |  | 17,937                      |
| <b>10,305</b>                                 | <b>(1,191)</b>                                 | <b>(3,417)</b>                           | <b>1,206</b>   | <b>7,259</b>                           | <b>(11,818)</b>             |
| 1,495   | 409  | 5,663                                    | 136  |  | 24,679                      |
|   |  |  |  | 5,573                                  | 5,573                       |
| 16,758  | 1,564  | 80,179                                   | 1,255  |  | 178,917                     |
| 2,713   | 306  |  |  |  | 9,994                       |
| <b>20,966</b>                                 | <b>2,279</b>                                   | <b>85,842</b>                            | <b>1,391</b>   | <b>5,573</b>                           | <b>219,163</b>              |
| <b>(10,661)</b>                               | <b>(3,470)</b>                                 | <b>(89,259)</b>                          | <b>(185)</b>   | <b>1,686</b>                           | <b>(230,981)</b>            |
| 48,681  | 18,318   | 743,312                                  | 8,824  | 14,734                                 | 1,384,530                   |
| <b>\$ 38,020</b>                              | <b>\$ 14,848</b>                               | <b>\$ 654,053</b>                        | <b>\$ 8,639</b>  | <b>\$ 16,420</b>                       | <b>\$ 1,153,549</b>         |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF NET ASSETS**

| As of June 30, 2010 (in thousands)              | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>ASSETS</b>                                   |                                 |                                      |                               |
| <b>Current Assets</b>                           |                                 |                                      |                               |
| Cash and Cash Equivalents                       | \$ 7,102                        | \$ 12,250                            | \$ 145,857                    |
| Collateral from Securities Lending              | -                               | -                                    | -                             |
| Accounts Receivable, Net                        | 5,274                           | 3,007                                | 70,512                        |
| Accounts Receivable from Component Units        | -                               | 202                                  | 991                           |
| Notes Receivable, Net                           | 339                             | 581                                  | 5,198                         |
| Inventories                                     | 494                             | 669                                  | 1,590                         |
| Prepaid Expenses                                | 49                              | 115                                  | 1,613                         |
| <b>Total Current Assets</b>                     | <b>13,258</b>                   | <b>16,824</b>                        | <b>225,761</b>                |
| <b>Noncurrent Assets</b>                        |                                 |                                      |                               |
| Cash and Cash Equivalents                       | 707                             | 4,007                                | 151,465                       |
| Investments                                     | 2,103                           | 217                                  | 28,318                        |
| Notes Receivable, Net                           | 1,527                           | 2,613                                | 23,365                        |
| Due From Other OUS Funds and Entities           | -                               | -                                    | 50                            |
| Capital Assets, Net of Accumulated Depreciation | 58,026                          | 70,875                               | 618,697                       |
| <b>Total Noncurrent Assets</b>                  | <b>62,363</b>                   | <b>77,712</b>                        | <b>821,895</b>                |
| <b>TOTAL ASSETS</b>                             | <b>\$ 75,621</b>                | <b>\$ 94,536</b>                     | <b>\$ 1,047,656</b>           |
| <b>LIABILITIES</b>                              |                                 |                                      |                               |
| <b>Current Liabilities</b>                      |                                 |                                      |                               |
| Accounts Payable and Accrued Liabilities        | \$ 2,247                        | \$ 1,887                             | \$ 35,361                     |
| Deposits  | 581                             | 435                                  | 3,234                         |
| Obligations Under Securities Lending            | -                               | -                                    | -                             |
| Current Portion of Long-Term Liabilities        | 1,794                           | 1,459                                | 22,152                        |
| Deferred Revenue                                | 1,785                           | 1,754                                | 40,663                        |
| <b>Total Current Liabilities</b>                | <b>6,407</b>                    | <b>5,535</b>                         | <b>101,410</b>                |
| <b>Noncurrent Liabilities</b>                   |                                 |                                      |                               |
| Long-Term Liabilities                           | 35,084                          | 28,659                               | 207,740                       |
| Due to Other OUS Funds and Entities             | 13,747                          | 28,035                               | 235,610                       |
| <b>Total Noncurrent Liabilities</b>             | <b>48,831</b>                   | <b>56,694</b>                        | <b>443,350</b>                |
| <b>TOTAL LIABILITIES</b>                        | <b>\$ 55,238</b>                | <b>\$ 62,229</b>                     | <b>\$ 544,760</b>             |
| <b>NET ASSETS</b>                               |                                 |                                      |                               |
| Invested in Capital Assets, Net of Related Debt | \$ 9,672                        | \$ 18,142                            | \$ 287,406                    |
| Restricted For:                                 |                                 |                                      |                               |
| Nonexpendable Endowments                        | 554                             | -                                    | 2,789                         |
| Expendable:                                     |                                 |                                      |                               |
| Gifts, Grants, and Contracts                    | 1,159                           | 470                                  | 42,005                        |
| Student Loans                                   | 1,979                           | 3,931                                | 32,849                        |
| Capital Projects                                | 1,393                           | 979                                  | 45,392                        |
| Debt Service                                    | 18                              | 21                                   | 201                           |
| Unrestricted Net Assets                         | 5,608                           | 8,764                                | 92,254                        |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 20,383</b>                | <b>\$ 32,307</b>                     | <b>\$ 502,896</b>             |

| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Eliminations        | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|---------------------|---------------------|
| \$ 69,953                 | \$ 12,115                  | \$ 126,214           | \$ 21,514                 | \$ 90,594           |                     | \$ 485,599          |
| -                         | -                          | -                    | -                         | 366,704             |                     | 366,704             |
| 47,773                    | 6,492                      | 43,852               | 7,312                     | 6,942               |                     | 191,164             |
| 264                       | -                          | 9,873                | -                         | -                   |                     | 11,330              |
| 1,552                     | 745                        | 3,906                | 774                       | 3,148               |                     | 16,243              |
| 406                       | 592                        | 2,078                | 1,053                     | -                   |                     | 6,882               |
| 1,621                     | 15                         | 3,317                | 182                       | 10,170              | \$ (526)            | 16,556              |
| 121,569                   | 19,959                     | 189,240              | 30,835                    | 477,558             | (526)               | 1,094,478           |
| 59,878                    | 1,215                      | 224,141              | 30,208                    | 26,421              |                     | 498,042             |
| 2,067                     | 2,828                      | 23,420               | 57                        | 2,150               |                     | 61,160              |
| 6,973                     | 3,347                      | 18,707               | 3,478                     | 21,004              |                     | 81,014              |
| -                         | -                          | -                    | -                         | 907,519             | (907,569)           | -                   |
| 411,324                   | 79,088                     | 813,358              | 73,440                    | 1,727               |                     | 2,126,535           |
| 480,242                   | 86,478                     | 1,079,626            | 107,183                   | 958,821             | (907,569)           | 2,766,751           |
| <b>\$ 601,811</b>         | <b>\$ 106,437</b>          | <b>\$ 1,268,866</b>  | <b>\$ 138,018</b>         | <b>\$ 1,436,379</b> | <b>\$ (908,095)</b> | <b>\$ 3,861,229</b> |
| \$ 27,861                 | \$ 2,214                   | \$ 34,542            | \$ 10,385                 | \$ 29,687           |                     | \$ 144,184          |
| 3,650                     | 856                        | 5,198                | 949                       | 8,157               |                     | 23,060              |
| -                         | -                          | -                    | -                         | 366,704             |                     | 366,704             |
| 10,562                    | 2,340                      | 16,630               | 1,753                     | 42,888              |                     | 99,578              |
| 26,821                    | 2,751                      | 40,431               | 2,117                     | 50                  | \$ (526)            | 115,846             |
| 68,894                    | 8,161                      | 96,801               | 15,204                    | 447,486             | (526)               | 749,372             |
| 192,435                   | 44,183                     | 201,033              | 39,333                    | 949,596             |                     | 1,698,063           |
| 131,893                   | 15,093                     | 437,373              | 45,818                    | -                   | (907,569)           | -                   |
| 324,328                   | 59,276                     | 638,406              | 85,151                    | 949,596             | (907,569)           | 1,698,063           |
| <b>\$ 393,222</b>         | <b>\$ 67,437</b>           | <b>\$ 735,207</b>    | <b>\$ 100,355</b>         | <b>\$ 1,397,082</b> | <b>\$ (908,095)</b> | <b>\$ 2,447,435</b> |
| \$ 143,212                | \$ 20,597                  | \$ 367,214           | \$ 17,386                 | \$ (46,064)         |                     | \$ 817,565          |
| 1,285                     | 1,812                      | 7,391                | 2                         | 2,109               |                     | 15,942              |
| 2,135                     | 935                        | 29,447               | 1,341                     | 1,085               |                     | 78,577              |
| 8,951                     | 4,574                      | 26,447               | 6,196                     | 8                   |                     | 84,935              |
| (7,825)                   | 4,145                      | 47,848               | (1,838)                   | 1,602               |                     | 91,696              |
| 5                         | 50                         | 22                   | 30                        | 72,624              |                     | 72,971              |
| 60,826                    | 6,887                      | 55,290               | 14,546                    | 7,933               |                     | 252,108             |
| <b>\$ 208,589</b>         | <b>\$ 39,000</b>           | <b>\$ 533,659</b>    | <b>\$ 37,663</b>          | <b>\$ 39,297</b>    | <b>\$ -</b>         | <b>\$ 1,413,794</b> |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

| For The Year Ended June 30, 2010 (in thousands)         | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                               |                                 |                                      |                               |
| Student Tuition and Fees, Net                           | \$ 13,407                       | \$ 14,089                            | \$ 152,581                    |
| Federal Grants and Contracts                            | 9,211                           | 6,994                                | 176,390                       |
| State and Local Grants and Contracts                    | 1,516                           | 1,920                                | 14,262                        |
| Nongovernmental Grants and Contracts                    | 34                              | 2,836                                | 22,605                        |
| Educational Department Sales and Services               | 160                             | 216                                  | 27,177                        |
| Auxiliary Enterprises Revenues, Net                     | 6,201                           | 8,245                                | 91,873                        |
| Other Operating Revenues                                | 617                             | 418                                  | 5,139                         |
| <b>Total Operating Revenues</b>                         | <b>31,146</b>                   | <b>34,718</b>                        | <b>490,027</b>                |
| <b>OPERATING EXPENSES</b>                               |                                 |                                      |                               |
| Instruction   | 14,721                          | 19,552                               | 154,394                       |
| Research  | 332                             | 181                                  | 183,725                       |
| Public Service  | 1,814                           | 3,079                                | 51,068                        |
| Academic Support  | 5,053                           | 4,445                                | 40,297                        |
| Student Services  | 2,166                           | 2,262                                | 20,570                        |
| Auxiliary Programs                                      | 7,639                           | 8,921                                | 104,385                       |
| Operation and Maintenance of Plant                      | 3,418                           | 2,440                                | 23,802                        |
| Institutional Support                                   | 4,898                           | 3,816                                | 40,470                        |
| Student Aid   | 4,514                           | 4,762                                | 23,526                        |
| Other Operating Expenses                                | 4,849                           | 5,298                                | 33,996                        |
| <b>Total Operating Expenses</b>                         | <b>49,404</b>                   | <b>54,756</b>                        | <b>676,233</b>                |
| <b>Operating Loss</b>                                   | <b>(18,258)</b>                 | <b>(20,038)</b>                      | <b>(186,206)</b>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |                                 |                                      |                               |
| Government Appropriations                               | 17,764                          | 19,481                               | 171,644                       |
| Investment Activity                                     | 202                             | 65                                   | 7,760                         |
| (Loss) Gain on Sale of Assets, Net                      | (7)                             | -                                    | (150)                         |
| Interest Expense  | (2,386)                         | (2,680)                              | (17,376)                      |
| Other Nonoperating Items                                | (178)                           | 1,744                                | 50,473                        |
| <b>Net Nonoperating Revenues</b>                        | <b>15,395</b>                   | <b>18,610</b>                        | <b>212,351</b>                |
| <b>Income (Loss) Before Other Nonoperating Revenues</b> | <b>(2,863)</b>                  | <b>(1,428)</b>                       | <b>26,145</b>                 |
| Capital and Debt Service Appropriations                 | 2,348                           | 1,697                                | 11,020                        |
| Capital Grants and Gifts                                | 27                              | -                                    | 12,128                        |
| Capital Contributions                                   | -                               | -                                    | -                             |
| Additions to Permanent Endowments                       | -                               | -                                    | -                             |
| Transfers within OUS                                    | 2,033                           | 429                                  | 855                           |
| <b>Total Other Nonoperating Revenues</b>                | <b>4,408</b>                    | <b>2,126</b>                         | <b>24,003</b>                 |
| <b>Increase (Decrease) In Net Assets</b>                | <b>1,545</b>                    | <b>698</b>                           | <b>50,148</b>                 |
| <b>NET ASSETS</b>                                       |                                 |                                      |                               |
| Beginning Balance                                       | 18,838                          | 31,609                               | 452,748                       |
| <b>Ending Balance</b>                                   | <b>\$ 20,383</b>                | <b>\$ 32,307</b>                     | <b>\$ 502,896</b>             |



| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Eliminations   | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|----------------|---------------------|
| \$ 157,411                | \$ 21,811                  | \$ 243,054           | \$ 25,558                 |                     |                | \$ 627,911          |
| 79,794                    | 10,407                     | 117,012              | 17,890                    | \$ 3,292            | \$ (5,864)     | 415,126             |
| 13,190                    | 3,022                      | 7,392                | 4,116                     | 1,230               |                | 46,648              |
| 13,201                    | 1,717                      | 991                  | 2,262                     | 153                 |                | 43,799              |
| 4,866                     | 2,452                      | 24,545               | 962                       | 51                  | (27)           | 60,402              |
| 61,021                    | 18,213                     | 114,371              | 17,119                    | -                   |                | 317,043             |
| 5,760                     | 21                         | 4,816                | 1,464                     | 2,540               | -              | 20,775              |
| <b>335,243</b>            | <b>57,643</b>              | <b>512,181</b>       | <b>69,371</b>             | <b>7,266</b>        | <b>(5,891)</b> | <b>1,531,704</b>    |
| 138,484                   | 26,744                     | 183,121              | 27,066                    | 1,202               |                | 565,284             |
| 44,755                    | 571                        | 78,679               | 7,616                     | -                   | (5,282)        | 310,577             |
| 8,814                     | 2,880                      | 33,502               | 297                       | 3,518               |                | 104,972             |
| 28,571                    | 6,497                      | 38,390               | 6,807                     | 52                  |                | 130,112             |
| 13,029                    | 4,283                      | 25,483               | 5,393                     | -                   |                | 73,186              |
| 56,119                    | 17,897                     | 141,991              | 19,020                    | -                   |                | 355,972             |
| 25,565                    | 3,945                      | 26,298               | 3,901                     | -                   |                | 89,369              |
| 22,018                    | 3,796                      | 54,218               | 4,667                     | 12,288              | (27)           | 146,144             |
| 27,656                    | 6,750                      | 17,122               | 6,379                     | -                   |                | 90,709              |
| 18,007                    | 5,808                      | 23,077               | 3,740                     | 2,195               | (582)          | 96,388              |
| <b>383,018</b>            | <b>79,171</b>              | <b>621,881</b>       | <b>84,886</b>             | <b>19,255</b>       | <b>(5,891)</b> | <b>1,962,713</b>    |
| <b>(47,775)</b>           | <b>(21,528)</b>            | <b>(109,700)</b>     | <b>(15,515)</b>           | <b>(11,989)</b>     | <b>-</b>       | <b>(431,009)</b>    |
| 70,186                    | 17,180                     | 66,794               | 19,288                    | 8,698               |                | 391,035             |
| 693                       | 310                        | 5,597                | 65                        | 5,241               |                | 19,933              |
| (664)                     | 17                         | (100)                | 29                        | -                   |                | (875)               |
| (13,275)                  | (2,941)                    | (22,837)             | (3,239)                   | (2,161)             |                | (66,895)            |
| 8,124                     | 3,541                      | 63,316               | 1,461                     | 2,053               |                | 130,534             |
| <b>65,064</b>             | <b>18,107</b>              | <b>112,770</b>       | <b>17,604</b>             | <b>13,831</b>       | <b>-</b>       | <b>473,732</b>      |
| <b>17,289</b>             | <b>(3,421)</b>             | <b>3,070</b>         | <b>2,089</b>              | <b>1,842</b>        | <b>-</b>       | <b>42,723</b>       |
| 6,794                     | 3,075                      | 6,422                | 2,502                     | 3,631               |                | 37,489              |
| 5,358                     | 504                        | 89,873               | 367                       | -                   |                | 108,257             |
| -                         | -                          | -                    | -                         | -                   |                | -                   |
| -                         | -                          | -                    | -                         | -                   |                | -                   |
| 955                       | 1,252                      | 8,867                | 44                        | (14,435)            |                | -                   |
| <b>13,107</b>             | <b>4,831</b>               | <b>105,162</b>       | <b>2,913</b>              | <b>(10,804)</b>     | <b>-</b>       | <b>145,746</b>      |
| <b>30,396</b>             | <b>1,410</b>               | <b>108,232</b>       | <b>5,002</b>              | <b>(8,962)</b>      | <b>-</b>       | <b>188,469</b>      |
| 178,193                   | 37,590                     | 425,427              | 32,661                    | 48,259              |                | 1,225,325           |
| <b>\$ 208,589</b>         | <b>\$ 39,000</b>           | <b>\$ 533,659</b>    | <b>\$ 37,663</b>          | <b>\$ 39,297</b>    | <b>\$ -</b>    | <b>\$ 1,413,794</b> |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**

| For the Year Ended June 30, 2010 (in thousands)                    | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|--|---------------------------------|--------------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                                 |                                      |                               |
| Tuition and Fees   | \$ 13,723                       | \$ 14,716                            | \$ 150,567                    |
| Grants and Contracts   | 8,882                           | 11,267                               | 212,539                       |
| Educational Department Sales and Services                          | 147                             | 220                                  | 27,242                        |
| Auxiliary Enterprise Operations                                    | 6,222                           | 8,190                                | 93,747                        |
| Student Loan Collections   | 367                             | 733                                  | 4,435                         |
| Payments to Employees for Compensation and Benefits                | (29,465)                        | (33,133)                             | (447,606)                     |
| Payments to Suppliers  | (8,825)                         | (17,378)                             | (145,275)                     |
| Student Financial Aid  | (4,798)                         | (4,826)                              | (33,569)                      |
| Student Loan Issuance and Costs                                    | (251)                           | (752)                                | (3,441)                       |
| Other Operating Receipts   | (304)                           | 1,753                                | 4,651                         |
| <b>Net Cash Provided (Used) by Operating Activities</b>            | <b>(14,302)</b>                 | <b>(19,210)</b>                      | <b>(136,710)</b>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>             |                                 |                                      |                               |
| Government Appropriations  | 17,764                          | 19,481                               | 171,644                       |
| Other Gifts and Private Contracts                                  | 318                             | 1,823                                | 46,625                        |
| Net Agency Fund Receipts (Payments)                                | 126                             | (256)                                | 331                           |
| Net Transfers from (to) Other Funds and OUS Universities           | 2,266                           | 656                                  | (1,042)                       |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b> | <b>20,474</b>                   | <b>21,704</b>                        | <b>217,558</b>                |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    |                                 |                                      |                               |
| Capital Appropriations   | -                               | -                                    | -                             |
| Debt Service Appropriations  | 2,348                           | 1,697                                | 11,020                        |
| Capital Grants and Gifts   | 27                              | -                                    | 11,217                        |
| Capital Contributions  | -                               | -                                    | -                             |
| Bond Proceeds on Capital Debt                                      | (380)                           | 2,390                                | 87,637                        |
| Sales of Capital Assets  | 1,345                           | 26                                   | 4,348                         |
| Purchases of Capital Assets  | (4,916)                         | (11,082)                             | (87,714)                      |
| Interest Payments on Capital Debt                                  | (2,520)                         | (3,645)                              | (17,466)                      |
| Principal Payments on Capital Debt                                 | (2,428)                         | (1,588)                              | (11,167)                      |
| <b>Net Cash Used by Capital and Related Financing Activities</b>   | <b>(6,524)</b>                  | <b>(12,202)</b>                      | <b>(2,125)</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                                 |                                      |                               |
| Net Sales (Purchases) of Investments                               | (820)                           | -                                    | 1,924                         |
| Interest on Investments and Cash Balances                          | 85                              | 43                                   | 5,450                         |
| Interest Income from Securities Lending                            | -                               | -                                    | -                             |
| Interest Expense from Securities Lending                           | -                               | -                                    | -                             |
| <b>Net Cash Provided (Used) by Investing Activities</b>            | <b>(735)</b>                    | <b>43</b>                            | <b>7,374</b>                  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>        | <b>(1,087)</b>                  | <b>(9,665)</b>                       | <b>86,097</b>                 |
| <b>CASH AND CASH EQUIVALENTS</b>                                   |                                 |                                      |                               |
| Beginning Balance  | 8,896                           | 25,922                               | 211,225                       |
| <b>Ending Balance</b>  | <b>\$ 7,809</b>                 | <b>\$ 16,257</b>                     | <b>\$ 297,322</b>             |

| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Eliminations | Total OUS         |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|--------------|-------------------|
| \$ 160,444                | \$ 22,346                  | \$ 237,680           | \$ 25,181                 | \$ (283)            |              | \$ 624,374        |
| 110,646                   | 13,340                     | 132,075              | 24,226                    | 4,569               | \$ (5,864)   | 511,680           |
| 4,900                     | 2,454                      | 24,490               | 911                       | 49                  |              | 60,413            |
| 60,001                    | 17,883                     | 115,209              | 17,196                    | (1)                 |              | 318,447           |
| 1,317                     | 615                        | 3,763                | 718                       | (1)                 |              | 11,947            |
| (239,535)                 | (48,630)                   | (397,521)            | (53,154)                  | (9,049)             |              | (1,258,093)       |
| (104,774)                 | (21,835)                   | (151,572)            | (17,083)                  | 40,507              | 5,864        | (420,371)         |
| (28,643)                  | (6,818)                    | (33,682)             | (7,299)                   | (1,514)             |              | (121,149)         |
| (1,223)                   | (742)                      | (1,613)              | (742)                     | -                   |              | (8,764)           |
| (16,691)                  | 1,249                      | 9,787                | 653                       | 947                 |              | 2,045             |
| <b>(53,558)</b>           | <b>(20,138)</b>            | <b>(61,384)</b>      | <b>(9,393)</b>            | <b>35,224</b>       | <b>-</b>     | <b>(279,471)</b>  |
| 70,186                    | 17,180                     | 66,794               | 19,288                    | 12,256              |              | 394,593           |
| 5,284                     | 3,045                      | 53,365               | 578                       | 72                  |              | 111,110           |
| (59)                      | 306                        | 502                  | 33                        | (7,969)             |              | (6,986)           |
| 29,715                    | 2,793                      | 11,427               | 2,122                     | (47,937)            |              | -                 |
| <b>105,126</b>            | <b>23,324</b>              | <b>132,088</b>       | <b>22,021</b>             | <b>(43,578)</b>     | <b>-</b>     | <b>498,717</b>    |
| -                         | -                          | 18                   | -                         | (18)                |              | -                 |
| 6,794                     | 3,075                      | 6,404                | 2,502                     | (1,735)             |              | 32,105            |
| 4,213                     | 504                        | 43,377               | -                         | -                   |              | 59,338            |
| -                         | -                          | -                    | -                         | -                   |              | -                 |
| 47,971                    | (19)                       | 115,819              | 23,617                    | (310)               |              | 276,725           |
| 8,199                     | 575                        | 7,370                | 283                       | -                   |              | 22,146            |
| (92,043)                  | (992)                      | (179,712)            | (25,080)                  | (10)                |              | (401,549)         |
| (9,349)                   | (3,390)                    | (29,558)             | (8,219)                   | (5,590)             |              | (79,737)          |
| (9,036)                   | (2,506)                    | (9,619)              | (1,788)                   | (6,437)             |              | (44,569)          |
| <b>(43,251)</b>           | <b>(2,753)</b>             | <b>(45,901)</b>      | <b>(8,685)</b>            | <b>(14,100)</b>     | <b>-</b>     | <b>(135,541)</b>  |
| 1,140                     | (1,005)                    | 2,125                | -                         | 14,096              |              | 17,460            |
| 491                       | 124                        | 3,036                | 59                        | (850)               |              | 8,438             |
| -                         | -                          | -                    | -                         | 554                 |              | 554               |
| -                         | -                          | -                    | -                         | (554)               |              | (554)             |
| <b>1,631</b>              | <b>(881)</b>               | <b>5,161</b>         | <b>59</b>                 | <b>13,246</b>       | <b>-</b>     | <b>25,898</b>     |
| <b>9,948</b>              | <b>(448)</b>               | <b>29,964</b>        | <b>4,002</b>              | <b>(9,208)</b>      | <b>-</b>     | <b>109,603</b>    |
| 119,883                   | 13,778                     | 320,391              | 47,720                    | 126,223             |              | 874,038           |
| <b>\$ 129,831</b>         | <b>\$ 13,330</b>           | <b>\$ 350,355</b>    | <b>\$ 51,722</b>          | <b>\$ 117,015</b>   | <b>\$ -</b>  | <b>\$ 983,641</b> |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS—CONTINUED**

| For the Year Ended June 30, 2010 (in thousands)   | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>                                  |                                 |                                      |                               |
| <b>BY OPERATING ACTIVITIES</b>  |                                 |                                      |                               |
| Operating Loss  | \$ (18,258)                     | \$ (20,038)                          | \$ (186,206)                  |
| Adjustments to Reconcile Operating Loss to Net Cash (Used)                                |                                 |                                      |                               |
| Provided by Operating Activities:   |                                 |                                      |                               |
| Depreciation Expense  | 3,091                           | 2,997                                | 38,832                        |
| Changes in Assets and Liabilities:  |                                 |                                      |                               |
| Accounts Receivable   | (890)                           | 1,541                                | 5,381                         |
| Notes Receivable  | 107                             | 162                                  | 796                           |
| Inventories   | (80)                            | (229)                                | 63                            |
| Prepaid Expenses  | 1                               | (129)                                | 1,752                         |
| Accounts Payable and Accrued Liabilities  | 2,201                           | (3,557)                              | 12,193                        |
| Long-Term Liabilities   | (724)                           | (50)                                 | (3,564)                       |
| Deposits  | -                               | 4                                    | 1                             |
| Deferred Revenue  | 250                             | 89                                   | (5,958)                       |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                   | <b>\$ (14,302)</b>              | <b>\$ (19,210)</b>                   | <b>\$ (136,710)</b>           |
| <b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL</b>                               |                                 |                                      |                               |
| <b>AND RELATED FINANCING TRANSACTIONS</b>   |                                 |                                      |                               |
| Capital Assets Acquired by Incurring Capital Lease Obligations                            | \$ -                            | \$ -                                 | \$ -                          |
| Capital Assets Acquired by Gifts in Kind  | -                               | -                                    | 910                           |
| Increase in Fair Value of Investments Recognized as a<br>Component of Investment Activity | 118                             | 22                                   | 2,310                         |



| Portland<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Eliminations | Total<br>OUS        |
|---------------------------------|----------------------------------|----------------------------|---------------------------------|------------------------|--------------|---------------------|
| \$ (47,775)                     | \$ (21,528)                      | \$ (109,700)               | \$ (15,515)                     | \$ (11,989)            |              | \$ (431,009)        |
| 19,170                          | 4,243                            | 31,168                     | 3,685                           | 263                    |              | 103,449             |
| 1,033                           | 62                               | (9,539)                    | (1,327)                         | (104)                  |              | (3,843)             |
| 429                             | 93                               | 9,206                      | (135)                           | -                      |              | 10,658              |
| 45                              | 202                              | 32                         | (70)                            | -                      |              | (37)                |
| (445)                           | 11                               | (567)                      | 13                              | 345                    |              | 981                 |
| (295)                           | (2,517)                          | (19,300)                   | 3,995                           | 12,733                 |              | 5,453               |
| (25,339)                        | (669)                            | 27,507                     | (326)                           | 34,263                 |              | 31,098              |
| (22)                            | 17                               | (50)                       | -                               | -                      |              | (50)                |
| (359)                           | (52)                             | 9,859                      | 287                             | (287)                  |              | 3,829               |
| <b>\$ (53,558)</b>              | <b>\$ (20,138)</b>               | <b>\$ (61,384)</b>         | <b>\$ (9,393)</b>               | <b>\$ 35,224</b>       | <b>\$ -</b>  | <b>\$ (279,471)</b> |

|       |      |        |      |       |      |        |
|-------|------|--------|------|-------|------|--------|
| \$ -  | \$ - | \$ 643 | \$ - | \$ -  | \$ - | \$ 643 |
| 1,145 | 220  | 43,528 | 368  | -     | -    | 46,171 |
| 202   | 186  | 2,351  | 6    | 3,790 | -    | 8,985  |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF NET ASSETS**

| As of June 30, 2009 (in thousands)              | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>ASSETS</b>                                   |                                 |                                      |                               |
| <b>Current Assets</b>                           |                                 |                                      |                               |
| Cash and Cash Equivalents                       | \$ 4,877                        | \$ 9,430                             | \$ 95,246                     |
| Collateral from Securities Lending              | -                               | -                                    | -                             |
| Accounts Receivable, Net                        | 4,041                           | 3,634                                | 58,165                        |
| Accounts Receivable from Component Units        | -                               | -                                    | 9,519                         |
| Notes Receivable, Net                           | 359                             | 612                                  | 5,342                         |
| Inventories                                     | 414                             | 440                                  | 1,653                         |
| Prepaid Expenses                                | 50                              | 20                                   | 3,855                         |
| <b>Total Current Assets</b>                     | <b>9,741</b>                    | <b>14,136</b>                        | <b>173,780</b>                |
| <b>Noncurrent Assets</b>                        |                                 |                                      |                               |
| Cash and Cash Equivalents                       | 4,019                           | 16,492                               | 115,979                       |
| Investments                                     | 1,165                           | 195                                  | 27,932                        |
| Notes Receivable, Net                           | 1,614                           | 2,754                                | 24,015                        |
| Due From Other OUS Funds and Entities           | -                               | -                                    | -                             |
| Capital Assets, Net of Accumulated Depreciation | 55,695                          | 62,889                               | 566,305                       |
| <b>Total Noncurrent Assets</b>                  | <b>62,493</b>                   | <b>82,330</b>                        | <b>734,231</b>                |
| <b>TOTAL ASSETS</b>                             | <b>\$ 72,234</b>                | <b>\$ 96,466</b>                     | <b>\$ 908,011</b>             |
| <b>LIABILITIES</b>                              |                                 |                                      |                               |
| <b>Current Liabilities</b>                      |                                 |                                      |                               |
| Accounts Payable and Accrued Liabilities        | \$ 1,992                        | \$ 6,877                             | \$ 26,329                     |
| Deposits  | 540                             | 462                                  | 3,146                         |
| Obligations Under Securities Lending            | -                               | -                                    | -                             |
| Current Portion of Long-Term Liabilities        | 1,738                           | 1,765                                | 23,023                        |
| Deferred Revenue                                | 1,535                           | 1,643                                | 37,241                        |
| <b>Total Current Liabilities</b>                | <b>5,805</b>                    | <b>10,747</b>                        | <b>89,739</b>                 |
| <b>Noncurrent Liabilities</b>                   |                                 |                                      |                               |
| Long-Term Liabilities                           | 47,591                          | 54,025                               | 365,524                       |
| Due to Other OUS Funds and Entities             | -                               | 85                                   | -                             |
| <b>Total Noncurrent Liabilities</b>             | <b>47,591</b>                   | <b>54,110</b>                        | <b>365,524</b>                |
| <b>TOTAL LIABILITIES</b>                        | <b>\$ 53,396</b>                | <b>\$ 64,857</b>                     | <b>\$ 455,263</b>             |
| <b>NET ASSETS</b>                               |                                 |                                      |                               |
| Invested in Capital Assets, Net of Related Debt | \$ 11,836                       | \$ 24,329                            | \$ 275,176                    |
| Restricted For:                                 |                                 |                                      |                               |
| Nonexpendable Endowments                        | 554                             | -                                    | 3,137                         |
| Expendable:                                     |                                 |                                      |                               |
| Gifts, Grants, and Contracts                    | 919                             | 528                                  | 38,804                        |
| Student Loans                                   | 2,057                           | 4,212                                | 32,769                        |
| Capital Projects                                | 113                             | (3,274)                              | 48,991                        |
| Debt Service                                    | 14                              | 41                                   | 413                           |
| Unrestricted Net Assets                         | 3,345                           | 5,773                                | 53,458                        |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 18,838</b>                | <b>\$ 31,609</b>                     | <b>\$ 452,748</b>             |

| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Eliminations    | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|-----------------|---------------------|
| \$ 32,257                 | \$ 10,469                  | \$ 92,886            | \$ 16,714                 | \$ 72,313           |                 | \$ 334,192          |
| -                         | -                          | -                    | -                         | 375,509             |                 | 375,509             |
| 52,778                    | 6,223                      | 42,410               | 5,981                     | 4,438               |                 | 177,670             |
| 512                       | 2                          | 4,355                | -                         | -                   |                 | 14,388              |
| 1,630                     | 758                        | 4,125                | 750                       | 3,103               |                 | 16,679              |
| 451                       | 795                        | 2,062                | 981                       | -                   |                 | 6,796               |
| 1,176                     | 26                         | 2,713                | 195                       | 10,515              |                 | 18,550              |
| 88,804                    | 18,273                     | 148,551              | 24,621                    | 465,878             |                 | 943,784             |
| 87,626                    | 3,309                      | 227,505              | 31,006                    | 53,910              |                 | 539,846             |
| 3,005                     | 1,637                      | 23,193               | 52                        | 10,126              |                 | 67,305              |
| 7,326                     | 3,409                      | 20,052               | 3,368                     | 24,285              |                 | 86,823              |
| -                         | -                          | -                    | -                         | 386                 | \$ (386)        | -                   |
| 335,718                   | 81,500                     | 611,045              | 51,249                    | 35                  |                 | 1,764,436           |
| 433,675                   | 89,855                     | 881,795              | 85,675                    | 88,742              | (386)           | 2,458,410           |
| <b>\$ 522,479</b>         | <b>\$ 108,128</b>          | <b>\$ 1,030,346</b>  | <b>\$ 110,296</b>         | <b>\$ 554,620</b>   | <b>\$ (386)</b> | <b>\$ 3,402,194</b> |
| \$ 26,226                 | \$ 2,504                   | \$ 41,705            | \$ 4,468                  | \$ 39,873           |                 | \$ 149,974          |
| 3,335                     | 351                        | 5,067                | 854                       | 4,882               |                 | 18,637              |
| -                         | -                          | -                    | -                         | 375,509             |                 | 375,509             |
| 9,821                     | 2,549                      | 14,013               | 1,718                     | 46,257              |                 | 100,884             |
| 27,082                    | 3,109                      | 32,551               | 1,827                     | 345                 |                 | 105,333             |
| 66,464                    | 8,513                      | 93,336               | 8,867                     | 466,866             |                 | 750,337             |
| 277,671                   | 61,925                     | 511,533              | 68,768                    | 39,495              |                 | 1,426,532           |
| 151                       | 100                        | 50                   | -                         | -                   | \$ (386)        | -                   |
| 277,822                   | 62,025                     | 511,583              | 68,768                    | 39,495              | (386)           | 1,426,532           |
| <b>\$ 344,286</b>         | <b>\$ 70,538</b>           | <b>\$ 604,919</b>    | <b>\$ 77,635</b>          | <b>\$ 506,361</b>   | <b>\$ (386)</b> | <b>\$ 2,176,869</b> |
| \$ 116,066                | \$ 22,812                  | \$ 313,025           | \$ 11,600                 | \$ (45,462)         |                 | \$ 729,382          |
| 1,285                     | 1,812                      | 7,388                | 2                         | 2,109               |                 | 16,287              |
| 2,623                     | 1,151                      | 43,515               | 654                       | 1,825               |                 | 90,019              |
| 9,436                     | 4,774                      | 26,286               | 6,074                     | 8                   |                 | 85,616              |
| 9,803                     | 2,825                      | 6,006                | 3,202                     | 4,333               |                 | 71,999              |
| 161                       | 113                        | 11                   | 81                        | 78,573              |                 | 79,407              |
| 38,819                    | 4,103                      | 29,196               | 11,048                    | 6,873               |                 | 152,615             |
| <b>\$ 178,193</b>         | <b>\$ 37,590</b>           | <b>\$ 425,427</b>    | <b>\$ 32,661</b>          | <b>\$ 48,259</b>    | <b>\$ -</b>     | <b>\$ 1,225,325</b> |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

| For The Year Ended June 30, 2009 (in thousands)         | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                               |                                 |                                      |                               |
| Student Tuition and Fees, Net                           | \$ 11,953                       | \$ 12,936                            | \$ 132,258                    |
| Federal Grants and Contracts                            | 6,676                           | 7,860                                | 147,561                       |
| State and Local Grants and Contracts                    | 1,987                           | 247                                  | 16,232                        |
| Nongovernmental Grants and Contracts                    | 35                              | 456                                  | 24,804                        |
| Educational Department Sales and Services               | 155                             | 277                                  | 27,554                        |
| Auxiliary Enterprises Revenues, Net                     | 5,776                           | 7,280                                | 87,259                        |
| Other Operating Revenues                                | 627                             | 488                                  | 4,936                         |
| <b>Total Operating Revenues</b>                         | <b>27,209</b>                   | <b>29,544</b>                        | <b>440,604</b>                |
| <b>OPERATING EXPENSES</b>                               |                                 |                                      |                               |
| Instruction   | 14,300                          | 20,584                               | 160,264                       |
| Research  | 384                             | 207                                  | 181,485                       |
| Public Service  | 1,922                           | 3,196                                | 57,696                        |
| Academic Support  | 4,772                           | 4,524                                | 41,706                        |
| Student Services  | 2,295                           | 2,534                                | 20,781                        |
| Auxiliary Programs                                      | 7,094                           | 8,871                                | 103,150                       |
| Operation and Maintenance of Plant                      | 2,993                           | 2,811                                | 25,279                        |
| Institutional Support                                   | 5,148                           | 4,075                                | 42,009                        |
| Student Aid   | 3,754                           | 2,561                                | 18,884                        |
| Other Operating Expenses                                | 3,216                           | 3,814                                | 33,454                        |
| <b>Total Operating Expenses</b>                         | <b>45,878</b>                   | <b>53,177</b>                        | <b>684,708</b>                |
| <b>Operating Loss</b>                                   | <b>(18,669)</b>                 | <b>(23,633)</b>                      | <b>(244,104)</b>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |                                 |                                      |                               |
| Government Appropriations                               | 16,334                          | 19,445                               | 171,513                       |
| Investment Activity                                     | 39                              | 108                                  | 3,908                         |
| (Loss) Gain on Sale of Assets, Net                      | (47)                            | 2                                    | 428                           |
| Interest Expense  | (2,189)                         | (1,991)                              | (16,665)                      |
| Other Nonoperating Items                                | 142                             | 2,961                                | 46,323                        |
| <b>Net Nonoperating Revenues</b>                        | <b>14,279</b>                   | <b>20,525</b>                        | <b>205,507</b>                |
| <b>Income (Loss) Before Other Nonoperating Revenues</b> | <b>(4,390)</b>                  | <b>(3,108)</b>                       | <b>(38,597)</b>               |
| Capital and Debt Service Appropriations                 | 2,200                           | 685                                  | 8,671                         |
| Capital Grants and Gifts                                | 20                              | 1,656                                | 43,598                        |
| Capital Contributions                                   | -                               | -                                    | -                             |
| Additions to Permanent Endowments                       | -                               | -                                    | -                             |
| Transfers within OUS                                    | 2,116                           | 4,698                                | (2,989)                       |
| <b>Total Other Nonoperating Revenues</b>                | <b>4,336</b>                    | <b>7,039</b>                         | <b>49,280</b>                 |
| <b>Increase (Decrease) In Net Assets</b>                | <b>(54)</b>                     | <b>3,931</b>                         | <b>10,683</b>                 |
| <b>NET ASSETS, BEGINNING BALANCE</b>                    |                                 |                                      |                               |
| Beginning Balance                                       | 18,892                          | 27,678                               | 442,065                       |
| <b>Ending Balance</b>                                   | <b>\$ 18,838</b>                | <b>\$ 31,609</b>                     | <b>\$ 452,748</b>             |



| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Eliminations   | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|----------------|---------------------|
| \$ 137,394                | \$ 20,246                  | \$ 203,974           | \$ 23,515                 |                     |                | \$ 542,276          |
| 64,691                    | 7,916                      | 108,395              | 14,305                    | \$ 1,457            | \$ (5,731)     | 353,130             |
| 13,752                    | 3,070                      | 8,821                | 4,711                     | 522                 |                | 49,342              |
| 13,566                    | 988                        | 10,007               | 1,930                     | 190                 |                | 51,976              |
| 5,410                     | 3,426                      | 22,105               | 834                       | 28                  |                | 59,789              |
| 53,827                    | 18,096                     | 100,911              | 16,081                    | -                   |                | 289,230             |
| 5,471                     | 1,134                      | 6,421                | 1,545                     | 2,316               | -              | 22,938              |
| <b>294,111</b>            | <b>54,876</b>              | <b>460,634</b>       | <b>62,921</b>             | <b>4,513</b>        | <b>(5,731)</b> | <b>1,368,681</b>    |
| 138,054                   | 26,953                     | 179,363              | 26,560                    | 1,465               |                | 567,543             |
| 39,608                    | 476                        | 76,231               | 7,502                     | -                   | (4,762)        | 301,131             |
| 8,935                     | 2,173                      | 32,125               | 461                       | 1,605               |                | 108,113             |
| 26,598                    | 7,040                      | 39,290               | 6,412                     | 53                  |                | 130,395             |
| 13,092                    | 4,430                      | 24,787               | 5,295                     | -                   |                | 73,214              |
| 52,417                    | 19,056                     | 119,759              | 19,572                    | -                   |                | 329,919             |
| 22,619                    | 4,049                      | 22,268               | 4,134                     | -                   |                | 84,153              |
| 24,453                    | 5,109                      | 51,353               | 5,670                     | 14,048              |                | 151,865             |
| 22,006                    | 5,030                      | 15,315               | 5,307                     | -                   |                | 72,857              |
| 23,145                    | 6,668                      | 23,862               | 3,519                     | 36                  | (969)          | 96,745              |
| <b>370,927</b>            | <b>80,984</b>              | <b>584,353</b>       | <b>84,432</b>             | <b>17,207</b>       | <b>(5,731)</b> | <b>1,915,935</b>    |
| <b>(76,816)</b>           | <b>(26,108)</b>            | <b>(123,719)</b>     | <b>(21,511)</b>           | <b>(12,694)</b>     | <b>-</b>       | <b>(547,254)</b>    |
| 72,954                    | 17,244                     | 73,121               | 19,761                    | 12,295              |                | 402,667             |
| 868                       | 58                         | 3,149                | 173                       | (2,972)             |                | 5,331               |
| (190)                     | 6                          | 2,760                | 9                         | -                   |                | 2,968               |
| (11,414)                  | (2,557)                    | (26,580)             | (2,454)                   | (658)               |                | (64,508)            |
| 2,638                     | 3,304                      | 40,731               | 483                       | 85                  |                | 96,667              |
| <b>64,856</b>             | <b>18,055</b>              | <b>93,181</b>        | <b>17,972</b>             | <b>8,750</b>        | <b>-</b>       | <b>443,125</b>      |
| <b>(11,960)</b>           | <b>(8,053)</b>             | <b>(30,538)</b>      | <b>(3,539)</b>            | <b>(3,944)</b>      | <b>-</b>       | <b>(104,129)</b>    |
| 14,174                    | 2,958                      | 7,639                | 1,087                     | 59                  |                | 37,473              |
| 9,927                     | 104                        | 19,902               | 500                       | -                   |                | 75,707              |
| -                         | -                          | -                    | -                         | -                   |                | -                   |
| -                         | -                          | -                    | -                         | -                   |                | -                   |
| 9,315                     | (295)                      | 4,531                | 1,805                     | (19,181)            |                | -                   |
| <b>33,416</b>             | <b>2,767</b>               | <b>32,072</b>        | <b>3,392</b>              | <b>(19,122)</b>     | <b>-</b>       | <b>113,180</b>      |
| <b>21,456</b>             | <b>(5,286)</b>             | <b>1,534</b>         | <b>(147)</b>              | <b>(23,066)</b>     | <b>-</b>       | <b>9,051</b>        |
| 156,737                   | 42,876                     | 423,893              | 32,808                    | 71,325              |                | <b>1,216,274</b>    |
| <b>\$ 178,193</b>         | <b>\$ 37,590</b>           | <b>\$ 425,427</b>    | <b>\$ 32,661</b>          | <b>\$ 48,259</b>    | <b>\$ -</b>    | <b>\$ 1,225,325</b> |

## SUPPLEMENTARY SCHEDULES CONSOLIDATING STATEMENT OF CASH FLOWS

| For the Year Ended June 30, 2009 (in thousands)                                 | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                                 |                                      |                               |
| Tuition and Fees  | \$ 11,802                       | \$ 12,820                            | \$ 141,212                    |
| Grants and Contracts  | 9,374                           | 9,180                                | 183,735                       |
| Educational Department Sales and Services                                       | 155                             | 275                                  | 27,658                        |
| Auxiliary Enterprise Operations   | 5,636                           | 7,360                                | 86,372                        |
| Student Loan Collections  | 295                             | 651                                  | 4,371                         |
| Payments to Employees for Compensation and Benefits                             | (29,414)                        | (35,196)                             | (447,100)                     |
| Payments to Suppliers   | (1,710)                         | (10,246)                             | (179,689)                     |
| Student Financial Aid   | (4,048)                         | (2,649)                              | (28,676)                      |
| Student Loan Issuance and Costs   | (291)                           | (427)                                | (2,150)                       |
| Other Operating Receipts  | (1,129)                         | (480)                                | 4,742                         |
| <b>Net Cash (Used) Provided by Operating Activities</b>                         | <b>(9,330)</b>                  | <b>(18,712)</b>                      | <b>(209,525)</b>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                          |                                 |                                      |                               |
| Government Appropriations   | 16,334                          | 19,445                               | 171,513                       |
| Private Gifts Received for Endowment Purposes                                   | -                               | -                                    | -                             |
| Other Gifts and Private Contracts   | 332                             | 2,006                                | 41,895                        |
| Net Agency Fund Receipts (Payments)   | 50                              | -                                    | 112                           |
| Net Transfers from (to) Other Funds and OUS Universities                        | (3,902)                         | 4,804                                | 1,154                         |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                     | <b>12,814</b>                   | <b>26,255</b>                        | <b>214,674</b>                |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                 |                                 |                                      |                               |
| Capital Appropriations  | -                               | -                                    | 500                           |
| Debt Service Appropriations   | 2,200                           | 685                                  | 8,171                         |
| Capital Grants and Gifts  | 12                              | 1,570                                | 41,898                        |
| Capital Contributions   | -                               | -                                    | -                             |
| Bond Proceeds on Capital Debt   | 1,875                           | 29,624                               | 72,530                        |
| Sales of Capital Assets   | 200                             | 182                                  | 6,117                         |
| Purchases of Capital Assets   | (3,038)                         | (26,732)                             | (67,801)                      |
| Interest Payments on Capital Debt   | (1,708)                         | (838)                                | (10,673)                      |
| Principal Payments on Capital Debt  | (2,341)                         | (976)                                | (9,966)                       |
| <b>Net Cash (Used) Provided by Capital and Related<br/>Financing Activities</b> | <b>(2,800)</b>                  | <b>3,515</b>                         | <b>40,776</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |                                 |                                      |                               |
| Net Sales (Purchases) of Investments  | -                               | -                                    | -                             |
| Interest on Investments and Cash Balances                                       | 143                             | 127                                  | 6,572                         |
| Interest Income from Securities Lending   | -                               | -                                    | -                             |
| Interest Expense from Securities Lending  | -                               | -                                    | -                             |
| <b>Net Cash Provided (Used) by Investing Activities</b>                         | <b>143</b>                      | <b>127</b>                           | <b>6,572</b>                  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | <b>827</b>                      | <b>11,185</b>                        | <b>52,497</b>                 |
| <b>CASH AND CASH EQUIVALENTS</b>  |                                 |                                      |                               |
| Beginning Balance   | 8,069                           | 14,737                               | 158,728                       |
| <b>Ending Balance</b>   | <b>\$ 8,896</b>                 | <b>\$ 25,922</b>                     | <b>\$ 211,225</b>             |

| Portland<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Eliminations | Total<br>OUS      |
|---------------------------------|----------------------------------|----------------------------|---------------------------------|------------------------|--------------|-------------------|
| \$ 139,424                      | \$ 20,309                        | \$ 203,413                 | \$ 22,942                       | \$ (120)               |              | \$ 551,802        |
| 87,727                          | 14,313                           | 127,852                    | 21,675                          | 2,126                  | \$ (5,731)   | 450,251           |
| 5,428                           | 3,436                            | 21,941                     | 843                             | 29                     |              | 59,765            |
| 52,987                          | 17,881                           | 104,456                    | 16,302                          | (6)                    |              | 290,988           |
| 1,158                           | 809                              | 4,813                      | 1,009                           | (1)                    |              | 13,105            |
| (236,356)                       | (50,797)                         | (386,302)                  | (52,933)                        | (9,701)                |              | (1,247,799)       |
| (97,695)                        | (14,332)                         | (121,080)                  | (31,142)                        | 11,555                 | 5,731        | (438,608)         |
| (22,590)                        | (5,289)                          | (30,288)                   | (6,280)                         | (119)                  |              | (99,939)          |
| (2,114)                         | (904)                            | (2,965)                    | (846)                           | -                      |              | (9,697)           |
| 6,600                           | 1,014                            | 2,212                      | 944                             | 2,317                  |              | 16,220            |
| <b>(65,431)</b>                 | <b>(13,560)</b>                  | <b>(75,948)</b>            | <b>(27,486)</b>                 | <b>6,080</b>           | <b>-</b>     | <b>(413,912)</b>  |
| 72,954                          | 17,244                           | 73,121                     | 19,761                          | 13,269                 |              | 403,641           |
| -                               | -                                | -                          | -                               | -                      |              | -                 |
| 5,433                           | 3,432                            | 43,723                     | 709                             | 69                     |              | 97,599            |
| 296                             | (1,649)                          | (582)                      | 96                              | 6,587                  |              | 4,910             |
| 7,698                           | (7,682)                          | 2,239                      | 10,065                          | (14,376)               |              | -                 |
| <b>86,381</b>                   | <b>11,345</b>                    | <b>118,501</b>             | <b>30,631</b>                   | <b>5,549</b>           | <b>-</b>     | <b>506,150</b>    |
| 9,662                           | -                                | 1,583                      | -                               | (27)                   |              | 11,718            |
| 4,512                           | 2,958                            | 6,056                      | 1,087                           | 1,160                  |              | 26,829            |
| 9,004                           | 104                              | 19,172                     | 427                             | -                      |              | 72,187            |
| -                               | -                                | -                          | -                               | -                      |              | -                 |
| 88,571                          | 3,356                            | 57,442                     | 28,348                          | (38,736)               |              | 243,010           |
| 2,219                           | 401                              | 11,525                     | 482                             | -                      |              | 21,126            |
| (71,673)                        | (3,445)                          | (124,364)                  | (5,473)                         | (4)                    |              | (302,530)         |
| (6,610)                         | (1,945)                          | (27,145)                   | (2,016)                         | (18,337)               |              | (69,272)          |
| (7,913)                         | (2,544)                          | (12,305)                   | (1,442)                         | (19,434)               |              | (56,921)          |
| <b>27,772</b>                   | <b>(1,115)</b>                   | <b>(68,036)</b>            | <b>21,413</b>                   | <b>(75,378)</b>        | <b>-</b>     | <b>(53,853)</b>   |
| -                               | -                                | (2)                        | -                               | 176                    |              | 174               |
| 1,041                           | 222                              | 5,230                      | 178                             | 6,018                  |              | 19,531            |
| -                               | -                                | -                          | -                               | 1,173                  |              | 1,173             |
| -                               | -                                | -                          | -                               | (1,173)                |              | (1,173)           |
| <b>1,041</b>                    | <b>222</b>                       | <b>5,228</b>               | <b>178</b>                      | <b>6,194</b>           | <b>-</b>     | <b>19,705</b>     |
| <b>49,763</b>                   | <b>(3,108)</b>                   | <b>(20,255)</b>            | <b>24,736</b>                   | <b>(57,555)</b>        | <b>-</b>     | <b>58,090</b>     |
| 70,120                          | 16,886                           | 340,646                    | 22,984                          | 183,778                |              | <b>815,948</b>    |
| <b>\$ 119,883</b>               | <b>\$ 13,778</b>                 | <b>\$ 320,391</b>          | <b>\$ 47,720</b>                | <b>\$ 126,223</b>      | <b>\$ -</b>  | <b>\$ 874,038</b> |

**SUPPLEMENTARY SCHEDULES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS—CONTINUED**

| For the Year Ended June 30, 2009 (in thousands)            | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|--|---------------------------------|--------------------------------------|-------------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>   |                                 |                                      |                               |
| <b>BY OPERATING ACTIVITIES</b>                             |                                 |                                      |                               |
| Operating Loss   | \$ (18,669)                     | \$ (23,633)                          | \$ (244,104)                  |
| Adjustments to Reconcile Operating Loss to Net Cash (Used) |                                 |                                      |                               |
| Provided by Operating Activities:                          |                                 |                                      |                               |
| Depreciation Expense                                       | 2,907                           | 1,553                                | 35,144                        |
| Changes in Assets and Liabilities:                         |                                 |                                      |                               |
| Accounts Receivable  | (754)                           | (282)                                | 3,361                         |
| Notes Receivable   | (38)                            | 177                                  | 2,442                         |
| Inventories  | (40)                            | (12)                                 | 250                           |
| Prepaid Expenses   | (18)                            | 33                                   | (750)                         |
| Accounts Payable and Accrued Liabilities                   | 501                             | 4,606                                | (4,794)                       |
| Long-Term Liabilities                                      | 6,529                           | (1,508)                              | (1,816)                       |
| Deposits   | 3                               | 12                                   | (16)                          |
| Deferred Revenue   | 249                             | 342                                  | 758                           |
| <b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>    | <b>\$ (9,330)</b>               | <b>\$ (18,712)</b>                   | <b>\$ (209,525)</b>           |

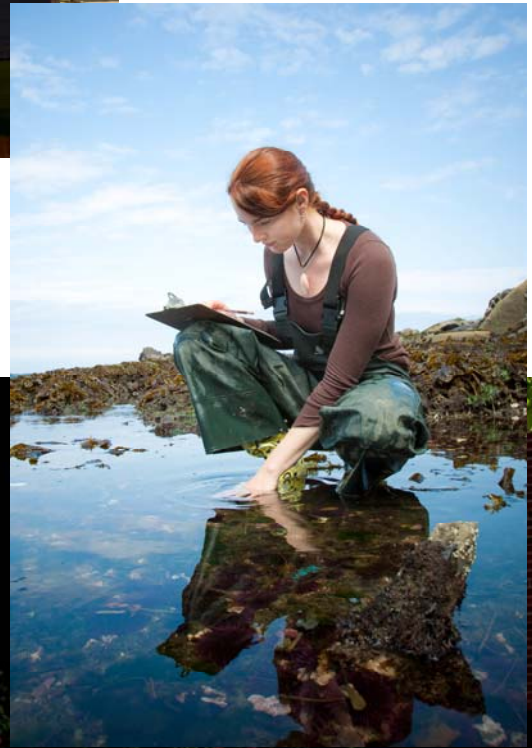
**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL  
AND RELATED FINANCING TRANSACTIONS**

|   |       |      |       |
|---|-------|------|-------|
| Capital Assets Acquired by Incurring Capital Lease Obligations                            | \$ 16 | \$ - | \$ 6  |
| Capital Assets Acquired by Gifts in Kind  | -     | 86   | 1,683 |
| Decrease in Fair Value of Investments Recognized as a<br>Component of Investment Activity | -     | -    | -     |



| Portland<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Eliminations | Total<br>OUS        |
|---------------------------------|----------------------------------|----------------------------|---------------------------------|------------------------|--------------|---------------------|
| \$ (76,816)                     | \$ (26,108)                      | \$ (123,719)               | \$ (21,511)                     | \$ (12,694)            |              | \$ (547,254)        |
| 15,454                          | 4,178                            | 28,261                     | 3,434                           | 7                      |              | 90,938              |
| (8,482)                         | 1,317                            | (11,824)                   | (11)                            | 172                    |              | (16,503)            |
| (45)                            | 47                               | 8,508                      | (246)                           | -                      |              | 10,845              |
| 35                              | (83)                             | (177)                      | (52)                            | -                      |              | (79)                |
| 208                             | 44                               | 358                        | (8)                             | (1,313)                |              | (1,446)             |
| 9,546                           | (887)                            | 15,070                     | (625)                           | 8,351                  |              | 31,768              |
| (9,826)                         | 7,408                            | 3,177                      | (8,756)                         | 11,897                 |              | 7,105               |
| (6)                             | (37)                             | 77                         | -                               | -                      |              | 33                  |
| 4,501                           | 561                              | 4,321                      | 289                             | (340)                  |              | 10,681              |
| <b>\$ (65,431)</b>              | <b>\$ (13,560)</b>               | <b>\$ (75,948)</b>         | <b>\$ (27,486)</b>              | <b>\$ 6,080</b>        | <b>\$ -</b>  | <b>\$ (413,912)</b> |

|        |      |      |      |      |          |          |
|--------|------|------|------|------|----------|----------|
| \$ 268 | \$ - | \$ - | \$ - | \$ - | \$ -     | \$ 290   |
| 750    | 104  | 757  | -    | -    | -        | 3,380    |
| -      | -    | -    | -    | -    | (14,251) | (14,251) |



**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**

Oregon State Board of Higher Education  
Eugene, Oregon

Oregon Secretary of State Audits Division  
Salem, Oregon

We have audited the financial statements of the Oregon University System (System) and its aggregate discretely presented component units as of and for the year ended June 30, 2010 which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 30, 2010. 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 7 of the 8 discretely presented component units as described in our report on the System's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal control over financial reporting**

In planning and performing our audit, we considered the System'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 System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency* in internal control 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 *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the System'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 communicated other matters which were noted during the course of our audit to management of the System, the Oregon State Board of Higher Education, and the Oregon Secretary of State Audits Division.

This report is intended solely for the information and use of the Oregon State Board of Higher Education, Oregon Secretary of State Audits Division, management, 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.

*Moss Adams LLP*

Eugene, Oregon  
November 30, 2010



For information about the financial data included in this report, contact:

Michael J. Green, CPA  
Associate Vice Chancellor for Finance and Administration and Controller  
Oregon University System  
PO Box 488  
Corvallis, OR 97339-0488  
541-737-3636

You may view this financial report at  
[http://www.ous.edu/cont-div/reports/annfinst\\_fy2010.php](http://www.ous.edu/cont-div/reports/annfinst_fy2010.php)  
or  
Visit the OUS home page at  
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OREGON UNIVERSITY SYSTEM

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541-737-3636

OFFICE OF THE CHANCELLOR

CONTROLLER'S DIVISION

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