

# 2011 Annual Financial Report



Western Oregon University



University of Oregon



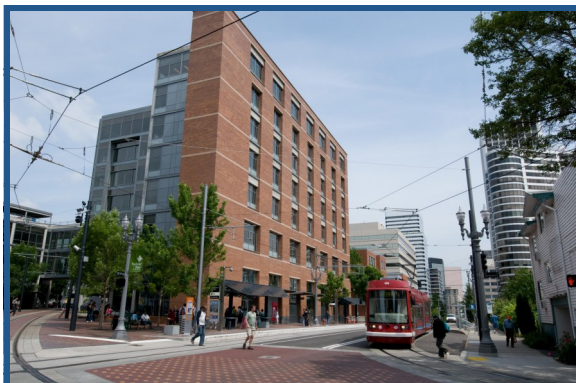
Oregon State University



Eastern Oregon University



Southern Oregon University



Portland State University



Oregon Institute of Technology



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## Oregon University System Executive Officers

<b>George Pernsteiner</b> <i>Chancellor</i>	
<b>Jay D. Kenton</b> <i>Vice Chancellor for Finance and Administration</i>	
<b>Sona Karentz Andrews</b> <i>Vice Chancellor for Academic Strategies</i>	
<b>Ryan G. Hagemann</b> <i>Legal Counsel</i>	
<b>Michael J. Green</b> <i>Associate Vice Chancellor for Finance and Administration and Controller</i>	
<b>Patricia A. Snopkowski</b> <i>Chief Auditor and Executive Director</i>	
<b>Joseph P. Holliday</b> <i>Assistant Vice Chancellor for Student Success Initiatives</i>	
<b>Robert G. Kieran</b> <i>Assistant Vice Chancellor for Institutional Research and Planning</i>	
<b>Robert A. Simonton</b> <i>Assistant Vice Chancellor for Capital Programs</i>	
<b>Janice K. Lewis</b> <i>Assistant Vice Chancellor for Budget Operations</i>	
<b>Karen A. Marrongelle</b> <i>Assistant Vice Chancellor for Academic Standards and Collaborations</i>	
<b>Charles L. Triplett III</b> <i>Board Secretary</i>	





Campbell Hall—WOU

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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, dental health 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 business, engineering and health technologies, and cooperative programs in dental health and nursing. 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.

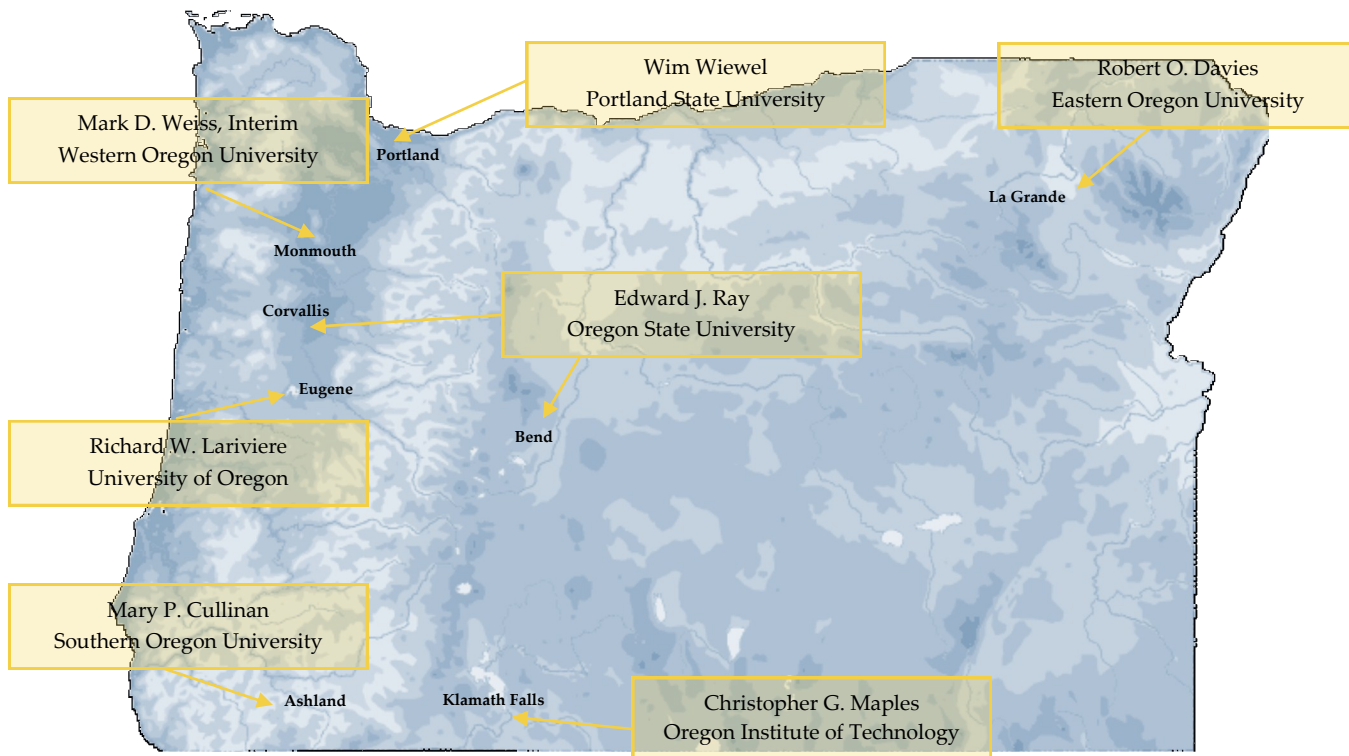
**Portland State University**—PSU, located in downtown Portland, Oregon, is an urban university founded in 1946 and offers liberal arts and sciences programs and professional programs in business, education, engineering, health, performing arts, social work, and urban and public affairs.

**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; and a cooperative program in nursing. WOU is located in Monmouth, Oregon.

## University Presidents





## Message from the Chancellor

*“Never look down to test the ground before taking your next step; only he who keeps his eye fixed on the far horizon will find the right road.”--Dag Hammarskjold*

It has been an extraordinary year for the Oregon University System. It began with a seemingly far horizon in front of us as we sought to gain legislation that would provide new freedoms, authorities and responsibilities that would improve student success, and allow greater efficiencies throughout the System. After fifteen years of trying to get legislation to allow our universities and system greater flexibility to operate in an environment of diminished state funding, that goal was finally achieved this year with the passage of Senate Bill 242.

### New Flexibility for OUS

Senate Bill 242 was passed by the Legislature and signed by the Governor during the 2011 Legislative Session. The efforts of untold numbers of board members, legislators, faculty, staff, students, business leaders, Chancellor’s Office staff, and our legislative team were responsible for this signal achievement. This success, which capped more than 18 months of intense effort, will pave the way for more effective and efficient operations and new ways of thinking and acting that will help our university system achieve the statewide goals of the Board of Higher Education.

This legislation redefines the OUS as public university system with greater authority and independence to manage its affairs, operations and obligations. It created the Higher Education Coordinating Commission to coordinate higher education goals and policy among all of postsecondary education, including OUS and our community college partners. The new law places responsibility for liability, defense and indemnity on OUS and State Board of Higher Education. The legislation also created a process for the Board to enter into a performance compact with the state in conjunction with its biennial funding request. Some components of SB 242 include: the ability for OUS to maintain all interest earnings in the Oregon University System Fund, including earnings on tuition revenues; elimination of the requirement to seek permission for expenditure limitation to spend other available moneys, including tuition and fees collected; exemption for OUS from certain laws and assessments relating to state agencies; the ability for OUS to explore healthcare benefits which better meet the needs of our employees and may be more cost effective for OUS; and authority for OUS to purchase property and construct facilities which are fully donor funded without legislative approval. Most of these provisions become operative on January 1, 2012, with others effective on July 1, 2012.

### State Funding Outcomes

Other challenges met over FY2011 include receiving an operating budget in the Session that, while significantly lower than seen in some past years, will enable OUS to continue on its trajectory of student success and operational effectiveness, along with tuition and other campus revenues. However, there is still the potential for the System to lose about \$25 million if the 3.5% legislative hold back is not restored next year, dependent on the state’s revenue forecast. OUS will continue to advocate for more appropriate budgets that meet the needs of a growing and diverse university system, as our per-student funding remains among the very lowest in the nation.

One area of OUS’ financial management that is worth noting is the very successful results of the recently established OUS Internal Bank. This was implemented to improve investment returns on operating assets through more effective banking and liquidity management, and reduce borrowing costs by managing long-term debt on a portfolio basis. Implementation of the Internal Bank has improved Treasury management by strategically consolidating and investing cash balances, resulting in increased investment returns. During the most recent quarter reported to the State Board of Higher Education, this new investment approach increased income by almost \$2.0 million over what it would have been without implementation of the Internal Bank.

### Student Success Trajectory Continues

Ensuring student success at all levels and across the system remains a critical focus for OUS. We are proud to report that 2010-11 indicators related to this show that programs, policies, and principles in place are paying off:



**George Pernsteiner**



## Message from the Chancellor—Continued

- **Increased enrollment:** fall term 2010 enrollment increased to 96,960, up 5,380 students in comparison to fall 2009. We anticipate another increase of somewhat lesser magnitude for fall 2011, and will likely reach a new milestone of 100,000. Ten year growth for the OUS continues to outpace national averages, increasing 39.5% since 2000, compared to the national average of 25% at public colleges and universities.
- **Increased retention rates:** the retention of freshmen rose to its highest level ever in 2010, 82.4%, up from 81.7% in 2009. A systemic focus on improving student retention within the OUS is resulting in positive change, with campuses committed to programs that meet the specific needs of students who need a wide range of academic, campus life, and other supports.
- **Increased graduation rates:** the graduation rate for 2009-10 hit a record 60%, up more than a percentage point from the prior year. While graduation rates are measured within a

six year period following the federal reporting requirements, the average time to degree for those who began at OUS in 2004 is 4.56 years.

- **Increased degrees:** the number of degrees climbed to an all-time high of almost 18,000 in 2010, up almost 1,000 degrees over the prior year, and an increase of 5.7%. Improving retention rates has contributed to more degrees achieved, as well as growing enrollment of new undergraduates and community college transfers.
- **Increased research:** sponsored research within OUS grew another 8.3%, reaching a record high of \$380.2 million. Since FY00 research expenditures have increased 85.2%. This type of strong research enterprise energizes teaching and learning, attracts and retains a strong faculty, and informs the work of public and private industry.

Despite the overall positive performance of the system, OUS must continue to improve its graduation rates, increase the number of graduates in high demand fields, improve the diversity of our students and faculty, and enhance the effectiveness of our research enterprise in supporting the economic vitality of our state. Further, we will continue to build better linkages among our campuses and with community colleges, K-12 schools, and our local businesses and communities. This is a top priority and we must challenge ourselves every day to meet it if we are to reach the 40-40-20 educational attainment goals now established by the state in Senate Bill 253. This sets a high bar for Oregon to have 40% of its adults with a bachelor's degree or higher, 40% with an associate's degree or meaningful certificate, and the remaining 20% with high school diplomas and ready to work by 2025.

### Using Data to Track Success

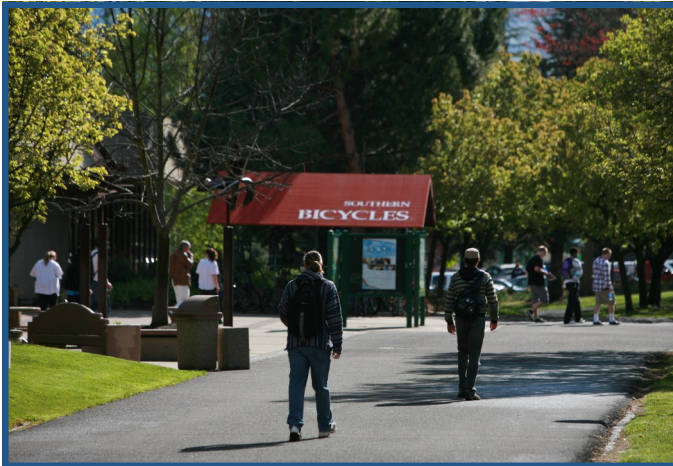
Recently, OUS learned that our universities are among the most efficient and least expensive in the country in moving students through to their degrees. While we can take some comfort in our frugality and view with concern that Oregon may be investing too little to sustain quality education in the long run, it should be noted that one of the reasons we could even be compared with some other states is our robust and standard data systems for student information and financial management. Without the relentless efforts of both our institutional research staff and those in the controller's division, OUS would not know where we stood in cost per student or even how well our institutions were doing financially at any time other than the end of the fiscal year.

Data consistency and data integrity are essential for the proper management of the system and to make sure that we know



Newly remodeled Lincoln Hall—PSU

## Message from the Chancellor—Continued



Campus walkway—SOU

what progress is being made to achieve state goals. They also are necessary ingredients to any meaningful performance compact between the state and OUS and OUS and the universities. We are proud to report that OUS is one of the nation's leaders in both assessing the outcomes of student learning and in facilitating students' journeys through multiple institutions as they pursue their degrees.

### Looking forward

For 2011-12, OUS will be focused on a number of priorities, including successful implementation of SB 242 provisions (risk management and insurance, legal services, fund accounting, control environment, more open and participative tuition setting process, labor/management health benefits working group, among others); and continuing to increase student success measures, including enrollment, retention, graduation, and diversity, with special attention should be paid to the achievement gap among different categories of students. Our bottom line remains the same: how can we improve student access, success and degree attainment for the benefit of the state and for the students' individually, their families and their communities. We look forward to working with all of our institutions and partners to move closer each year to meeting this important agenda.

George Pernsteiner  
Chancellor

### Top Campus Accomplishments FY2011



- Rellani Ogumoro was selected as a Truman Scholar – the first EOU student to earn this distinction – and one of only 60 students nationwide to receive awards from the Harry S. Truman Scholarship Foundation in 2011.
- A team of three EOU students competed internationally and won the highest honor in the annual Mathematical Contest in Modeling sponsored by the Consortium for Mathematics and its Applications (COMAP). They are one of just four teams and the only from the U.S. to receive this recognition.
- EOU received over \$30 million in state approved bond sales for major capital construction taking place on campus during the 2009-2011 and 2011-2013 biennia. These renovations will enable EOU to serve students better and improve energy efficiencies.
- “The Phantom of the Opera” made its American university theater debut on the EOU stage in November 2010. The cast and crew included students, faculty, community members and a professional opera singer in the title role.
- EOU was ranked among the top 15 percent of schools embracing America's veterans as students by “G.I. Jobs” magazine, which polled more than 7,000 schools nationwide.



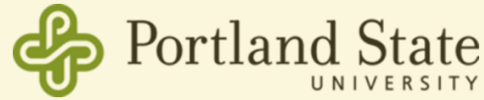
- OIT's Renewable Energy Engineering program was accredited by the *Accreditation Board for Engineering and Technology (ABET)*. The Renewable Energy Engineering program was established at Oregon Tech in 2005 and is the first of its kind in the nation.
- Governor John Kitzhaber signed House Bill 5006 on July 6, 2011, providing Oregon Tech the lottery-backed bonds needed to consolidate its Portland metro campuses into a single campus location in Wilsonville. Oregon Tech will receive \$20 million in lottery-backed bonds to consolidate its Portland campuses into one campus in Wilsonville, opening for classes in fall 2012.
- OIT Athletics earned two NAIA national championships in a month. The Oregon Tech softball team won the NAIA National Softball Championship on Wednesday, May 25<sup>th</sup>, beating number-one-ranked California Baptist University 1-0. The national victory was the first for a women's intercollegiate team at Oregon Tech. Oregon Tech decathlete, Bryant Sentman, became Oregon Tech's fourth track and field champion when he scored a record 7,097 points to win the NAIA National Decathlon title on May 27<sup>th</sup>. Sentman also played forward on the Oregon Tech basketball team.

## Message from the Chancellor—Continued

- Oregon Institute of Technology 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 campaign goal was achieved by raising \$2.4 million by August 31, 2010 to secure \$1 million in matching funds from the Kresge Foundation for their Challenge Grant.
- OIT laid the groundwork in FY11 to begin accepting the first class of students at Chemeketa Community College (CCC) in Salem in fall 2011. The bachelor degree program is a partnership between Oregon Tech and CCC. The classrooms and dental hygiene clinic will be in CCC's new Health & Science Building which is in the final phases of construction. Dental hygiene classes will be taught on the CCC campus with an occasional mix of online learning.



- The Carnegie Foundation for the Advancement of Teaching awarded its elective "Community Engagement" designation to OSU, which already held Carnegie's top designation for research universities – "very high activity." OSU is one of only 23 land grant institutions nationally and one of 50 universities overall to simultaneously hold both designations, as well as one of only two such campuses in the Pac 12.
- The university began work on a \$14-million Student Success Center that will provide an array of academic support services in a three-story, 30,000-square-foot complex, scheduled for completion in June of 2012. The university also completed the Linus Pauling Science Center, the Hallie Ford Center for Healthy Children and Families and the Living-Learning Center, a new residence hall bringing together domestic and international students.
- Oregon State faculty earned nearly \$262 million in external research support, growing support among private sector organizations and key federal agencies. The university also generated more than \$4 million in royalties from technology transfer, a 63 percent increase over the prior year. Funding in both areas has major economic benefit, accounting for impact of as much as \$4 in economic activity for every \$1 invested or earned.
- Kelly Benoit-Bird, a pioneering young oceanographer from Oregon State University, was named one of 23 recipients nationwide of prestigious 2010 MacArthur Fellowships. Popularly called "Genius Awards," the fellowships, presented annually by the John D. and Catherine T. MacArthur Foundation, include a \$500,000 stipend to further the recipient's scholarship.
- OSU welcomed new neighbor NOAA Marine Operations Center-Pacific (MOC-P) to the Hatfield Marine Science Center campus in Newport. Formerly located at Bellingham, Wash., NOAA MOC-P adds 170 additional jobs to the 300 already accounted for at Hatfield from OSU and six federal and state agencies, including the EPA and the U.S. Fish and Wildlife Service.



- Nearly 30,000 students enrolled at PSU in 2010-11, making it the largest and most diverse university in Oregon. The 2011 graduating class was also the largest in Oregon's history, with 5,620 graduates, including 1,735 master degrees and 60 PhD's. A "Last Mile" committee helped 135 undergrads who'd left PSU within a term or two of graduation to return and complete a degree.
- PSU continued efforts to improve retention and graduation rates. New and expanded "student success" programs include mandatory orientation sessions for first-year and transfer students, expanded student advising, requiring students to declare a major by the end of sophomore year, and Éxito, an initiative to recruit, retain and graduate more Latino students.
- Research expenditures have doubled in seven years to reach a record \$64 million. New funding included a \$3 million grant from the National Science Foundation's prestigious "IGERT" graduate training program, dedicated to sustainable approaches to ecosystem service challenges in urbanizing regions.
- Campus development continued with the reopening and LEED Platinum certification of Lincoln Hall, following a \$30.7 million remodel and upgrade of the century-old facility (PSU's first building on the South Park Blocks). The Portland State Business Accelerator added wet lab space to support bioscience and medical device start-ups. Science Building 2 neared completion of a \$46.5 million overhaul and upgrade, funded through state bonds, federal grants, stimulus dollars, and private donations.
- Following extensive study, PSU and Oregon Health & Science University formally established a strategic alliance, building on the respective strengths of each institution to better leverage resources and meet the region's education needs. Plans include a joint School of Public Health, as well as shared development (with Oregon State University) of the Collaborative Life Sciences Building planned for Portland's South Waterfront.



- SOU attained record enrollment in Fall 2010 with the largest percentage increase in the Oregon University System.
- President Mary Cullinan received the leadership award from the Pacific Northwest and Western Canada division of CASE (Council for the Advancement and Support of Education).
- SOU faculty discovery of *Psathyrella aquatica*, an underwater mushroom found in the Rogue River, was named one of the "Top 10 new species" of the year.
- SOU received a \$1 million gift for scholarships for non-traditional students.
- The SOU men's cross country team won the NAIA national championship.



## Message from the Chancellor—Continued



UNIVERSITY OF OREGON

- In 2010, the University of Oregon ranked in the top eight percent of the nation's 1,400 universities surveyed by *U.S. News and World Report*.
- UO biologist Jessica Green was named a 2011 TED Fellow and chemist Geraldine "Geri" Richmond was elected into membership of the National Academy of Sciences.
- The UO football team competed in the BCS National Championship game, the pinnacle of collegiate athletics.
- The UO opened two important facilities: the \$200 million Matthew Knight Arena serves the university and community by hosting athletics, entertainment and other events; and the \$33.6 million Cheryl Ramberg Ford & Allyn Ford Alumni Center showcases a sustainable design and larger-than-life touchscreens in its interpretive center.
- Gifts and pledges from more than 46,500 individuals, companies, and private foundations exceeded \$116.9 million for the fiscal year that ended June 30, the third highest annual total ever and the fourth year running that contributions have surpassed \$100 million.



- WOU's newest residence hall, Ackerman Hall, earned LEED Platinum certification from the U.S. Green Building Council. It is the first large-scale, new construction residence hall in the country to earn this rating, which is the highest available.
- WOU was named the 2010 recipient of the Christa McAuliffe Award for Excellence in Teacher Education by the American Association of State Colleges and Universities in recognition of exemplary performance in teacher education.
- For the fourth consecutive year, WOU has been recognized for outstanding academic advising. Associate Provost David McDonald was named the 2011 Pacesetter Award recipient (the first winner west of Texas since the award's inception in 1992). Dr. Bryan Dutton, professor of biology, received a Certificate of Merit.
- WOU topped its enrollment record again with 6,233 students, an increase of 10 percent over the previous year and 17 percent over the past three years. Growth has occurred in both graduate and undergraduate populations, as well as marked increases in diversity.
- WOU has created a textbook rental program, with the help of a nearly \$1 million grant from the U.S. Department of Education's Fund for the Improvement of Postsecondary Education. WOU was one of only two four-year public institutions in the U.S. chosen for an award.

Oregon State  
UNIVERSITY | Cascades

- Celebrations surrounding OSU-Cascades 10th Anniversary focused on its 1,640 alumni and acknowledgement of individuals who helped establish the campus. As a key proponent and champion in the creation of the campus and a passionate advocate for higher education, Oregon State Treasurer Ben Westlund was posthumously awarded the OSU-Cascades Community Service Award.
- OSU-Cascades headcount increased by 11% and FTE increased by 16% from fall 2009 to fall 2010, paving the way for continuing enrollment growth.
- The campus launched a degree program in Energy Engineering Management, its first engineering degree. The program is unique to OSU-Cascades and blends instruction in mechanical and industrial engineering with studies in energy and business management.
- OSU-Cascades received its first major campaign gift of \$250,000 from the Tykeson Family Charitable Trust to establish the Tykeson Endowed Faculty Scholar in Energy Engineering Management.
- Community presentations including lunchtime lectures and Science Pubs drew capacity audiences of Central Oregonians to learn of the work of faculty at OSU's Bend and Corvallis campuses.



Biochem Lab—EOU

## REPORT OF INDEPENDENT AUDITORS

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, 2011 and 2010, 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 49% 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, 2011. We also 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. 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, 2011 and 2010, 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.



## MOSS ADAMS<sub>LLP</sub>

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, 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  
October 31, 2011

# Management's Discussion and Analysis

For the Year Ended June 30, 2011 (dollars in millions)

## 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, 2011, 2010 and 2009. OUS is comprised of 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	2011	2010	2009	2008	2007
EOU	3,080	2,870	2,550	2,435	2,460
OIT	2,674	2,686	2,490	2,350	2,319
OSU	22,969	21,266	19,536	18,963	18,875
PSU	22,601	22,124	20,764	19,213	18,927
SOU	4,703	4,472	4,373	4,213	4,174
UO	23,716	22,635	21,679	20,361	20,421
WOU	5,214	4,891	4,571	4,384	4,152
Total System	84,957	80,944	75,963	71,919	71,328

## 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.

**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 which is referenced on the inside cover of this report. The fiscal year 2011 presentation has resulted in reclassifications to the fiscal year 2010 and 2009 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, 2011 (dollars in millions)

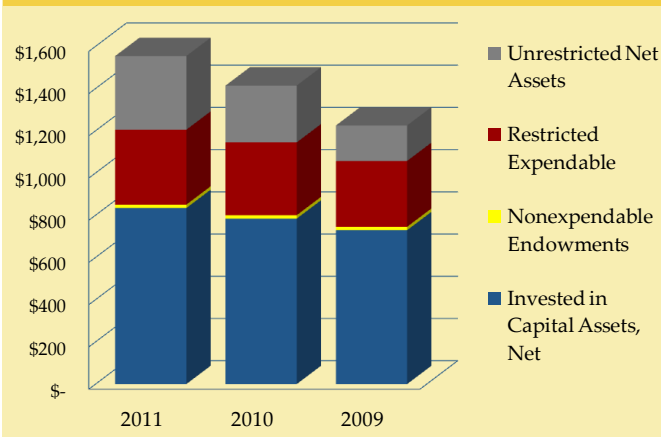
## Condensed Statement of Net Assets

As of June 30,	2011	2010	2009
Current Assets	\$ 914	\$ 1,094	\$ 944
Noncurrent Assets	809	640	694
Capital Assets, Net	2,473	2,127	1,764
<b>Total Assets</b>	<b>\$ 4,196</b>	<b>\$ 3,861</b>	<b>\$ 3,402</b>
Current Liabilities	\$ 698	\$ 749	\$ 750
Noncurrent Liabilities	1,944	1,698	1,427
<b>Total Liabilities</b>	<b>\$ 2,642</b>	<b>\$ 2,447</b>	<b>\$ 2,177</b>
Invested in Capital Assets, Net of Related Debt	\$ 834	\$ 784	\$ 729
Restricted - Nonexpendable	16	16	16
Restricted - Expendable	355	345	312
Unrestricted	349	269	168
<b>Total Net Assets</b>	<b>\$ 1,554</b>	<b>\$ 1,414</b>	<b>\$ 1,225</b>

## Total Net Assets

Changes to Total Assets reflected a larger increase than Total Liabilities which caused Total Net Assets to increase \$140 million or 10% during 2011 compared to a \$189 million increase in 2010. As illustrated by the following graph, the make-up of net assets changed between 2011, 2010 and 2009.

## Net Assets



- **Net Assets Invested in Capital Assets, Net of Related Debt** increased \$50 million. Capital asset increases of \$452 million were offset by a \$297 million increase to long-term debt attributable to the capital assets, and a \$105 million increase to accumulated depreciation.
- **Restricted Expendable Net Assets** changed by \$10 million in 2011. Net assets relating to funds reserved for debt service increased by \$14 million mainly because outstanding debt had a net increase of \$239 million. Net assets relating to capital projects declined by \$7 million as 2011 saw the completion of several construction projects.

- **Unrestricted Net Assets** increased \$80 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 \$335 million, or 9%, and Total Liabilities increased \$195 million, or 8% during the year ended 2011. Securities lending is excluded from the following discussion and analysis because the net activity is zero (equal amounts of assets and liabilities, equal amounts of income and expense) and its inclusion can distort the analysis of the business activities of the OUS. See "Note 2. Cash and Investments" for additional information relating to securities lending. Absent the securities lending balances, Total Assets increased by \$448 million or 13% and Total Liabilities increased by \$308 million or 15%.

- **Current Assets** decreased \$68 million, or 9%. Cash related to Unrestricted Net Assets grew as operating revenue growth outpaced operating expenses. See "Operating Revenues" and "Operating Expenses" for information relating to the cash variance. Due to a new investment strategy, \$168 million was moved from cash equivalents to intermediate and long-term investments. This caused a net decline in cash equivalents of \$90 million. Accounts receivable increased \$14 million mainly relating to growth in student tuition and fee activities and receivables from component units. See "Note 3. Accounts Receivable" for information relating to the receivable change. Prepaid expenses increased \$8 million due to maintenance contracts and equipment deposits.
- **Noncurrent Assets** increased \$169 million, or 26%. Investments increased \$187 million mainly relating to the new investment strategy mentioned above in "Current Assets" and increased appreciation of endowment investments. Year-end cash balances in capital construction funds, debt service reserve funds and agency funds decreased \$40 million compared to the prior year because of reduced borrowing activity throughout the year. Notes receivable increased \$22 million because of the \$28 million growth in the note with Oregon Health Sciences University. See "Note 8. Long-term Liabilities" for additional information about the transaction that caused this increase.
- **Capital Assets, Net** increased \$346 million, or 16%. Capitalized acquisitions net of disposals and adjustments included \$425 million in real property and \$26 million in personal property. Accumulated depreciation increased

# Management's Discussion and Analysis

For the Year Ended June 30, 2011 (dollars in millions)

by \$105 million. See "Capital Assets" in this MD&A for additional information relating to these variances.

- **Current Liabilities** increased \$62 million, or 16%. Accounts payable and accrued liabilities increased \$33 million, the majority of which was caused by year-end accounts payable for unpaid capital construction invoices, salaries, wages and payroll related expenses, and contract retainage. The Current Portion of Long-term Liabilities increased \$27 million due to increased borrowings.
- **Noncurrent Liabilities** increased \$246 million, or 14%, mainly due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

Current assets exceed 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, nonexchange grants and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) 35 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:

For the Year Ended June 30,	2011	2010	2009
Operating Revenues	\$ 1,557	\$ 1,382	\$ 1,257
Operating Expenses	2,100	1,963	1,916
Operating Loss	(543)	(581)	(659)
Nonoperating Revenues, Net of Expenses	600	625	555
Other Revenues	83	145	113
Increase in Net Assets	140	189	9
Net Assets, Beginning of Year	1,414	1,225	1,216
Net Assets, End of Year	\$ 1,554	\$ 1,414	\$ 1,225

Net Assets increased by \$140 million or 10% in 2011 compared to an increase of \$189 million in 2010.

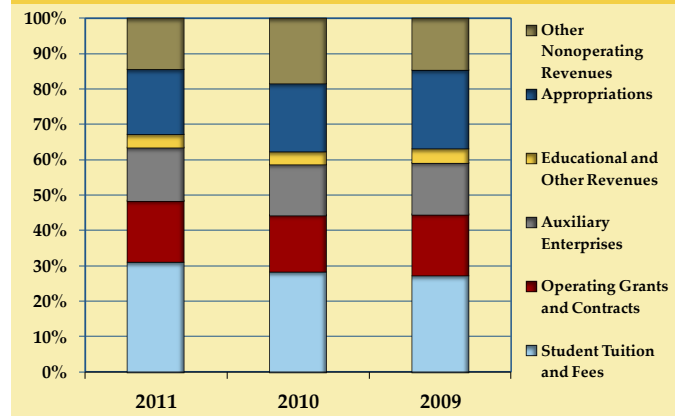
### Revenues

Revenues increased \$99 million, or 4%, in 2011 over the prior year.

### Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2011	2010	2009
Student Tuition and Fees	\$ 720	\$ 628	\$ 542
Grants and Contracts	399	356	343
Auxiliary Enterprises	349	317	289
Educational and Other	89	81	83
Total Operating Revenues	1,557	1,382	1,257
Appropriations	423	429	440
Grants	153	150	112
Investment Activity	27	20	5
Capital Grants and Gifts	47	108	76
Other Nonoperating Items	110	129	100
Total Nonoperating Revenues	760	836	733
Total Revenues	\$ 2,317	\$ 2,218	\$ 1,990

### Total Operating and Nonoperating Revenues



### Operating Revenues

Operating revenues increased \$175 million in 2011, or 13% over 2010, to \$1.6 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 \$92 million, or 15%, in 2011 compared to 2010.

- Higher tuition and fee rates accounted for \$70 million of the increase.
- Increased enrollment added \$37 million to tuition and fees.
- Increased fee remissions and scholarship allowances reduced tuition and fees by \$15 million.

**Federal, State and Nongovernmental Grants and Contracts** increased \$43 million, or 12%, in 2011 compared to 2010. Beginning in 2011, financial aid related grants are reported in nonoperating revenues.

- Federal grants and contract revenue were higher during 2011 when compared to the prior year by \$35 million



# Management's Discussion and Analysis

For the Year Ended June 30, 2011 (dollars in millions)

relating to increased research and development grants and contracts, and other grants and contracts.

- Nongovernmental grants increased \$6 million relating to an aggregation of small grant and contract increases.

**Auxiliary Enterprises** revenues increased \$32 million, or 10%, compared to the prior year.

- Student Health and Incidental Fee revenue increased \$15 million due to higher rates and increased enrollment.
- Housing and Dining revenues increased by \$9 million in 2011 related mainly to higher rates and student occupancy.
- Athletics revenues increased by \$8 million mainly due to the growth in event income.

**Educational and Other Revenues** increased \$8 million, or 9%, between the two fiscal periods mostly because of one-time revenues and growth in a variety of small recurring revenue sources.

## Nonoperating Revenues

The decrease in Nonoperating Revenues of \$76 million during 2011 can be directly tied to the decreases in Capital Grants and Gifts and Other Nonoperating Items. This was partially offset by an increase in revenues from Investment Activities.

**Government, Capital and Debt Service Appropriations** decreased \$6 million, or 1%. State appropriations for OUS operations were reduced by \$7 million or 2% due to lower funding received from the State of Oregon.

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

**Grants** increased \$3 million in 2011 due largely to two offsetting revenue sources with 1) \$23 million increase in PELL grants and 2) \$22 million decline in the Oregon Opportunity Grant.

**Investment Activity** revenues increased \$7 million, or 35% in 2011. Due largely to the implementation of a new investment strategy in intermediate and long-term investments, declines in interest income of \$2 million were offset by increases of \$9 million in market value.

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

**Capital Grants and Gifts** decreased \$61 million in 2011 because 2010 included several large non-recurring gifts.

**Other Nonoperating Items** decreased \$19 million in 2011.

- During 2010, \$13 million of intangible assets were record-

ed relating to the implementation of GASB 51.

- Gifts decreased \$5 million mainly because 2010 included a non-recurring gift for equipment and furnishings.

## Expenses

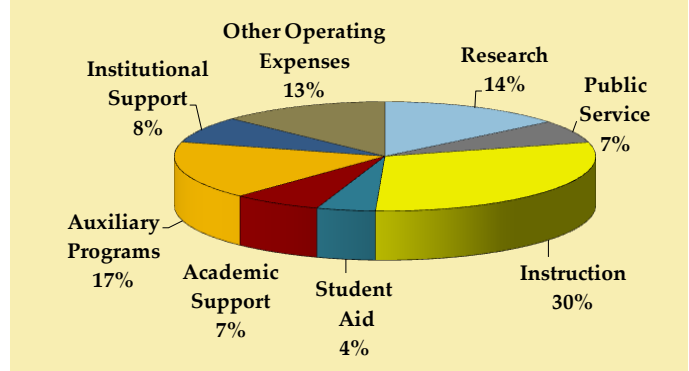
### Operating Expenses

Operating expenses increased \$137 million in 2011, or 7%, over 2010, to \$2.1 billion. This moderate increase resulted from increases in all expense categories except other operating expenses. The following summarizes operating expenses by functional classification:

### Operating Expenses by Function

For the Year Ended June 30,	2011	2010	2009
Instruction	\$ 626	\$ 565	\$ 568
Auxiliary Programs	360	357	330
Research	297	284	277
Institutional Support	165	146	152
Academic Support	143	130	130
Public Service	142	132	132
Student Aid	95	91	73
Other Operating Expenses	272	258	254
<b>Total Operating Expenses</b>	<b>\$ 2,100</b>	<b>\$ 1,963</b>	<b>\$ 1,916</b>

### 2011 Operating Expenses by Function



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.

The following summarizes operating expenses by natural classification:

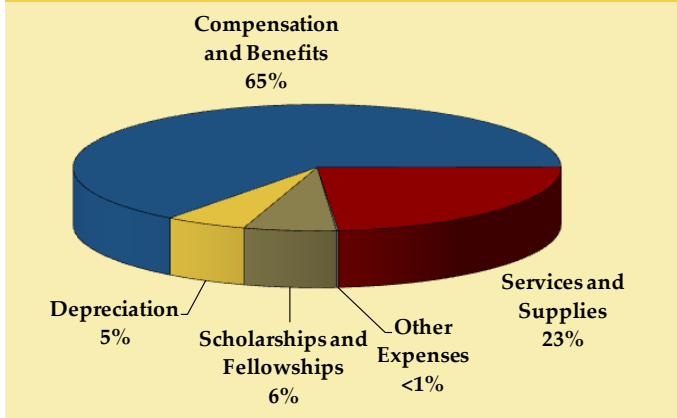
# Management's Discussion and Analysis

For the Year Ended June 30, 2011 (dollars in millions)

## Operating Expenses by Nature

For the Year Ended June 30,	2011	2010	2009
Compensation and Benefits	\$ 1,357	\$ 1,277	\$ 1,256
Services and Supplies	498	457	465
Scholarships and Fellowships	128	121	100
Depreciation and Amortization	114	103	91
Other Expenses	3	5	4
<b>Total Operating Expenses</b>	<b>\$ 2,100</b>	<b>\$ 1,963</b>	<b>\$ 1,916</b>

## 2011 Operating Expenses by Nature



**Compensation and Benefits** costs increased \$80 million, or 6%, in 2011 compared to 2010 due to:

- Additional staff needed for increased student enrollment (approximately \$62 million).
- Slightly higher wage costs attributed to the expiration of a portion of the furloughs instituted in 2010 and an increase in the Oregon minimum wage rate (approximately \$11 million).
- Fee remission for graduate students (\$10 million).
- Health insurance costs (\$7 million or 5%) and retirement costs (\$1 million).

These increases were partially offset by decreased deferred compensation of \$10 million.

**Services and Supplies** expense increased \$41 million, or 9%, during 2011. This increase was seen across almost all categories including subscriptions, minor equipment purchases, utilities, maintenance and repairs, building rentals, assessments and travel.

**Scholarships and Fellowships** costs increased \$7 million, or 6%, when comparing 2011 and 2010. This net increase was mainly comprised of two large offsetting revenue sources with a \$23 million increase in PELL grants and a \$22 million decline in the Oregon Opportunity Grant. An aggregation of smaller revenue sources comprised the remaining growth.

**Depreciation and Amortization** expense increased \$11 million during 2011 primarily relating to depreciation starting on recently constructed or refurbished buildings.

## Nonoperating Expenses

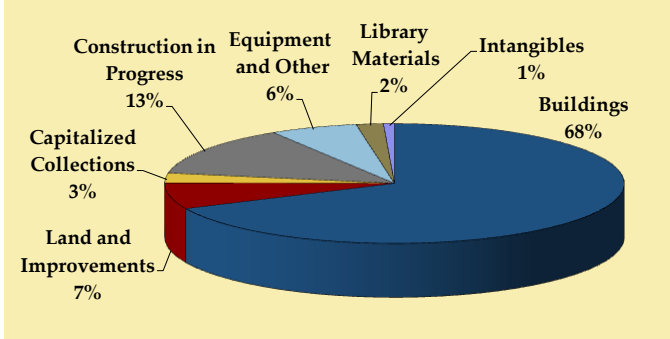
**Interest Expense** increased by \$10 million, or 15%, due to new debt issuances. See "Capital Assets and Related Financing Activities," below, and "Note 8. Long-term Liabilities" for information relating to this variance.

## Capital Assets and Related Financing Activities

### Capital Assets

At June 30, 2011, OUS had \$4.0 billion in capital assets, less accumulated depreciation of \$1.5 billion, for net capital assets of \$2.5 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.

### 2011 Capital Assets, Net - \$2.5 Billion



### Changes to Capital Assets

	2011	2010	2009
Capital Assets, Beginning of Year	\$ 3,515	\$ 3,045	\$ 2,757
Add: Purchases/Construction	466	457	306
Less: Retirements/Disposals/Adjustments	(14)	13	(18)
<b>Total Capital Assets, End of Year</b>	<b>3,967</b>	<b>3,515</b>	<b>3,045</b>
Accum. Depreciation, Beginning of Year	(1,388)	(1,281)	(1,208)
Add: Depreciation Expense	(114)	(103)	(91)
Less: Retirements/Disposals/Adjustments	8	(4)	18
<b>Total Accum. Depreciation, End of Year</b>	<b>(1,494)</b>	<b>(1,388)</b>	<b>(1,281)</b>
<b>Total Capital Assets, Net, End of Year</b>	<b>\$ 2,473</b>	<b>\$ 2,127</b>	<b>\$ 1,764</b>

Capital additions totaled \$466 million for 2011, \$457 million for 2010 and \$306 million for 2009.

# Management's Discussion and Analysis

For the Year Ended June 30, 2011 (dollars in millions)

Accumulated depreciation at June 30, 2011 increased \$106 million, which represented \$114 million in depreciation and amortization expense offset by \$8 million in asset retirements. Depreciation expense was \$114 million during 2011 compared to \$103 million during 2010.

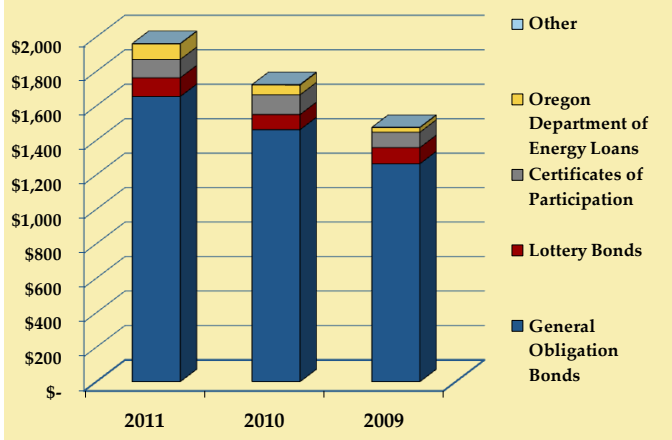
## Capital Commitments

OUS has outstanding capital commitments on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature of \$395 million as of June 30, 2011. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

## Debt Administration

During 2011 and 2010, OUS issued debt totaling \$249 million and \$277 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets. Fiscal year 2011 saw many large construction projects funded. During 2011 and 2010, 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.

### Long-term Debt



## Economic Outlook

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. The State has reduced 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 continued through fiscal year 2011. The remaining shortfall was covered by increasing 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.

The 2011 legislative session put in place legislation that will change some facets of OUS's operations. Legislators passed Senate Bill 242 which gives OUS broader authority over its own affairs while the state maintains oversight through the measurement of student outcomes. Pieces of the legislation phase in beginning July 1, 2011. Key provisions include: exemption from state limitation (spending authority), authority to issue revenue bonds, authority to handle its own legal affairs and risk management, and authority to retain all interest earned (in 2011 38% was given back to the State). Despite this important piece of legislation, the biggest challenge in the future continues to be balancing lower levels of state funding per student against increasing tuition and fees paid by those same students. The Board and management remain committed to solving this challenge and 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	
	2011	2010
	(In thousands)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 395,755	\$ 485,599
Collateral from Securities Lending (Note 2)	253,626	366,704
Accounts Receivable, Net (Note 3)	198,799	191,164
Accounts Receivable from Component Units (Note 3)	17,470	11,330
Notes Receivable, Net (Note 4)	16,753	16,243
Inventories	7,033	6,882
Prepaid Expenses	24,413	16,556
<b>Total Current Assets</b>	<b>913,849</b>	<b>1,094,478</b>
<b>Noncurrent Assets</b>		
Cash and Cash Equivalents (Note 2)	458,038	498,042
Investments (Note 2)	248,097	61,160
Notes Receivable, Net (Note 4)	103,344	81,014
Capital Assets, Net of Accumulated Depreciation (Note 5)	2,473,203	2,126,535
<b>Total Noncurrent Assets</b>	<b>3,282,682</b>	<b>2,766,751</b>
<b>Total Assets</b>	<b>\$ 4,196,531</b>	<b>\$ 3,861,229</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 177,377	\$ 144,184
Deposits	18,429	23,060
Obligations Under Securities Lending (Note 2)	253,626	366,704
Current Portion of Long-Term Liabilities (Note 8)	126,234	99,578
Deferred Revenue	122,269	115,846
<b>Total Current Liabilities</b>	<b>697,935</b>	<b>749,372</b>
<b>Noncurrent Liabilities</b>		
Long-Term Liabilities (Note 8)	1,944,183	1,698,063
<b>Total Noncurrent Liabilities</b>	<b>1,944,183</b>	<b>1,698,063</b>
<b>Total Liabilities</b>	<b>\$ 2,642,118</b>	<b>\$ 2,447,435</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 833,522	\$ 784,358
Restricted For:		
Nonexpendable Endowments	16,387	15,942
Expendable:		
Gifts, Grants and Contracts	83,443	78,577
Student Loans	84,159	84,935
Capital Projects	100,632	108,037
Debt Service	87,314	72,971
Unrestricted Net Assets (Note 9)	348,956	268,974
<b>Total Net Assets</b>	<b>\$ 1,554,413</b>	<b>\$ 1,413,794</b>

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

## Statement of Financial Position

As of June 30,	Component Units	
	2011	2010
	(In thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 37,861	\$ 49,895
Contributions, Pledges and Grants Receivable, Net	212,317	199,851
Investments (Note 2)	1,229,268	1,047,178
Prepaid or Deferred Expenses, and Other Assets	38,264	39,438
Property and Equipment, Net	49,651	49,623
<b>Total Assets</b>	<b>\$ 1,567,361</b>	<b>\$ 1,385,985</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 7,423	\$ 14,715
Accounts Payable to Universities	15,396	3,969
Obligations to Beneficiaries of Split-Interest Agreements	76,564	70,763
Deposits and Deferred Revenue	12,071	10,968
Long-Term Liabilities	77,220	78,976
<b>Total Liabilities</b>	<b>\$ 188,674</b>	<b>\$ 179,391</b>
<b>NET ASSETS</b>		
Unrestricted Surplus (Deficit)	\$ 16,529	\$ (19,543)
Temporarily Restricted	655,490	567,356
Permanently Restricted	706,668	658,781
<b>Total Net Assets</b>	<b>\$ 1,378,687</b>	<b>\$ 1,206,594</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	
	2011	2010
	(In thousands)	
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Scholarship Allowances of \$147,038 and \$131,670, respectively)	\$ 719,852	\$ 627,911
Federal Grants and Contracts	335,573	300,219
State and Local Grants and Contracts	19,039	16,664
Nongovernmental Grants and Contracts	44,758	39,148
Educational Department Sales and Services	60,731	60,402
Auxiliary Enterprises Revenues (Net of Scholarship Allowances of \$13,020 and \$13,186, respectively)	349,303	317,043
Other Operating Revenues	27,406	20,391
<b>Total Operating Revenues</b>	<b>1,556,662</b>	<b>1,381,778</b>
<b>OPERATING EXPENSES</b>		
Instruction	626,267	565,284
Research	297,065	283,779
Public Service	141,545	131,769
Academic Support	143,416	130,112
Student Services	79,826	72,138
Auxiliary Programs	359,682	357,020
Institutional Support	165,045	146,144
Operation and Maintenance of Plant	97,735	89,369
Student Aid	94,511	90,709
Other Operating Expenses	94,327	96,388
<b>Total Operating Expenses (Note 11)</b>	<b>2,099,419</b>	<b>1,962,712</b>
<b>Operating Loss</b>	<b>(542,757)</b>	<b>(580,934)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Government Appropriations (Note 12)	386,745	392,458
Grants	152,537	149,925
Investment Activity (Note 10)	27,178	19,933
Gain (Loss) on Sale of Assets, Net	(201)	(875)
Interest Expense	(76,765)	(66,895)
Other Nonoperating Items	110,633	130,534
<b>Net Nonoperating Revenues</b>	<b>600,127</b>	<b>625,080</b>
<b>Income Before Other Nonoperating Revenues</b>	<b>57,370</b>	<b>44,146</b>
Capital and Debt Service Appropriations (Note 12)	36,686	36,066
Capital Grants and Gifts	46,563	108,257
<b>Total Other Nonoperating Revenues</b>	<b>83,249</b>	<b>144,323</b>
<b>Increase In Net Assets</b>	<b>140,619</b>	<b>188,469</b>
<b>NET ASSETS</b>		
Beginning Balance	1,413,794	1,225,325
<b>Ending Balance</b>	<b>\$ 1,554,413</b>	<b>\$ 1,413,794</b>

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



## Statement of Activities

For The Years Ended June 30,	Component Units	
	2011	2010
	(In thousands)	
<b>REVENUES</b>		
Grants, Bequests and Gifts	\$ 194,717	\$ 158,799
Interest and Dividends	15,510	13,050
Investment Income, Net	121,976	65,363
Change in Value of Life Income Agreements	12,490	8,039
Other Revenues	23,746	24,847
<b>Total Revenues</b>	<b>368,439</b>	<b>270,098</b>
<b>EXPENSES</b>		
General and Administrative	27,334	23,434
Development Expenses	6,043	5,610
University Support	154,525	182,694
Other Expenses	8,444	6,902
<b>Total Expenses</b>	<b>196,346</b>	<b>218,640</b>
<b>Increase In Net Assets Before Other Changes in Net Assets</b>	<b>172,093</b>	<b>51,458</b>
Other Changes in Net Assets	-	1,587
<b>Increase In Net Assets</b>	<b>172,093</b>	<b>53,045</b>
<b>NET ASSETS</b>		
Beginning Balance	1,206,594	1,153,549
<b>Ending Balance</b>	<b>\$ 1,378,687</b>	<b>\$ 1,206,594</b>

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

## Statement of Cash Flows

For the Years Ended June 30,	University System	
	2011	2010
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 712,361	\$ 624,374
Grants and Contracts	400,764	361,755
Educational Department Sales and Services	60,526	60,413
Auxiliary Enterprises Operations	353,468	318,447
Student Loan Collections	13,495	11,947
Payments to Employees for Compensation and Benefits	(1,350,876)	(1,258,093)
Payments to Suppliers	(475,768)	(420,371)
Student Financial Aid	(128,006)	(121,149)
Student Loan Issuance and Costs	(10,271)	(8,764)
Other Operating Receipts	36,369	2,045
<b>Net Cash Used by Operating Activities</b>	<b>(387,938)</b>	<b>(429,396)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Government Appropriations	392,316	396,016
Grants	152,537	149,924
Other Gifts and Private Contracts	106,231	111,110
Net Agency Fund Receipts (Payments)	(4,588)	(6,986)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>646,496</b>	<b>650,064</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt Service Appropriations	37,745	30,683
Capital Grants and Gifts	46,853	59,338
Bond Proceeds from Capital Debt	249,420	276,725
Sales of Capital Assets	15,353	22,146
Purchases of Capital Assets	(463,077)	(401,549)
Interest Payments on Capital Debt	(75,316)	(79,737)
Principal Payments on Capital Debt	(42,997)	(44,569)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(232,019)</b>	<b>(136,963)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) Sales of Investments	(166,140)	17,460
Interest on Investments and Cash Balances	9,753	8,438
Interest Income from Securities Lending	736	554
Interest Expense from Securities Lending	(736)	(554)
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(156,387)</b>	<b>25,898</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(129,848)</b>	<b>109,603</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning Balance	983,641	874,038
<b>Ending Balance</b>	<b>\$ 853,793</b>	<b>\$ 983,641</b>

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

## Statement of Cash Flows

For the Years Ended June 30,	University System	
	2011	2010
	(In thousands)	
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY</b>		
<b>OPERATING ACTIVITIES</b>		
Operating Loss	\$ (542,757)	\$ (580,934)
Adjustments to Reconcile Operating Loss to Net Cash Used by		
Operating Activities:		
Depreciation Expense	113,725	103,449
Changes in Assets and Liabilities:		
Accounts Receivable	7,579	(3,843)
Notes Receivable	11,192	10,658
Inventories	(151)	(37)
Prepaid Expenses	(7,659)	981
Accounts Payable and Accrued Liabilities	23,913	5,453
Long-Term Liabilities	27,489	31,098
Deposits	173	(50)
Deferred Revenue	(21,442)	3,829
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (387,938)</b>	<b>\$ (429,396)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND</b>		
<b>RELATED FINANCING TRANSACTIONS</b>		
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 18	\$ 643
Capital Assets Acquired by Gifts in Kind	3,079	46,171
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	17,198	8,985

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



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 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. The OUS reporting entity also includes eight university foundations which are reported as discretely presented component units in the OUS Financial statements. See "Note 18. University Foundations" for additional information relating to these component units. 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. 59, *Financial Instruments Omnibus*, effective for the fiscal year ending June 30, 2011. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The adoption of GASB 59 did not materially impact OUS financial statements.

OUS implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the fiscal year ending June 30, 2011. GASB 54 enhances 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. The adoption of GASB 54 did not impact OUS financial statements.

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, 2011.

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 \$12,524 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 loss in fair value at June 30, 2010. See "Note 2. Cash and Investments" for information about OUS derivative instruments.

*New Accounting Standards* – 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

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

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 November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and Statement No. 61, *The Financial Reporting Entity: Omnibus – and amendment of GASB Statements No. 14 and No. 34*. GASB 60 will improve financial reporting by addressing issues relating to certain types of service concession arrangements. GASB 61 will improve financial reporting for a governmental financial reporting entity relating to component units. These requirements are effective for the fiscal year ending June 30, 2013. OUS is not anticipating that the adoption of GASB 60 and GASB 61 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 2010 financial statements reflect certain reclassifications to conform to the fiscal year 2011 presentation. Unless otherwise stated, dollars are presented in thousands.

## 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 five thousand dollars 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 to \$100, depending on the type of real property. Intangible assets valued in excess of \$100 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).

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 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 compensation 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 2012 is estimated to be \$2,558. For the years

ended June 30, 2011 and 2010, the net amount of appreciation available for authorization for expenditure was \$17,313 and \$12,791, respectively.

Nonexpendable Endowments on the Statement of Net Assets of \$16,387 and \$15,942 at June 30, 2011 and 2010, 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, nonexchange grants, 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.

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 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 difference 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 \$67,669 and \$56,018 for the fiscal years ended 2011 and 2010, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing were estimated to be \$92,389 and \$88,838 for the fiscal years ended 2011 and 2010, 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, these loans are reported in an agency fund. Federal student loans received by OUS students but not reported in operations were \$568,670 and \$519,314 for the fiscal years ended 2011 and 2010, 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). These deposits at the State Treasury are held, 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. The State Treasurer invests these deposits in high-grade short-term invest-

ment securities. At the fiscal years ended June 30, 2011 and 2010, OUS cash and cash equivalents on deposit at State Treasury were \$851,298 and \$981,776, respectively.

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 97301-3896 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 held on deposit at the State Treasury are invested consistently, custodial credit risk exposure at State Treasury is low.

#### Foreign Currency Risk—Deposits

Deposits in foreign currency run the risk of changing 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 \$127 at June 30, 2011.

To further mitigate foreign currency risks for these activities, OUS periodically enters into forward foreign currency contracts. At June 30, 2011, these contracts totaled \$3,010 and had a net fair value gain of \$146.

	Notional Currency Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
EUR	341	\$ 470	8/1/2010	9/14/2011	\$ 1.3770	\$ 23
	161	241	6/1/2011	10/31/2011	1.4995	(9)
	500	678	12/1/2011	1/26/2012	1.3550	45
	500	675	3/1/2012	4/30/2012	1.3500	48
GBP	200	312	6/1/2011	8/20/2011	1.5600	8
	200	305	9/1/2011	9/12/2011	1.5271	15
	200	305	9/1/2011	10/31/2011	1.5255	15
AUD	23	24	9/30/2011	9/30/2011	1.0297	1

The fair value balances and notional amounts of forward contracts outstanding at June 30, 2011 and changes in fair value for the year then ended as reported on 2011 financial statements are as follows (debit (credit)):

Changes in Fair Value		Fair Value at June 30, 2011		Notional	
Classification	Amount	Classification	Amount	Currency	Amount
Deferred Outflow	\$ 107	Derivative Instrument	\$ 107	EUR	1,502
Deferred Outflow	38	Derivative Instrument	38	GBP	600
Deferred Outflow	1	Derivative Instrument	1	AUD	23



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)



Autzen Stadium—UO

## Other Deposits

OUS cash and cash equivalents held by a fiscal agent outside the State Treasury comprised \$1,688 and \$2,037 at June 30, 2011 and 2010, 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 for each bondholder. At June 30, 2011, no bondholders had balances exceeding \$250.

For the years ended June 30, 2011 and 2010, OUS had vault and petty cash balances of \$807 and \$518, respectively. Additionally, OUS had small amounts of cash invested with a fiscal agent relating to debt issuances.

## Other Cash Activities

OUS invests a part of its endowment in international equity securities. The investment manager of this fund routinely enters into forward foreign currency exchange agreements to hedge currency risk related to these investments. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes movement in the value of foreign currencies and the failure of the counterparty to perform. The following schedule presents the foreign currency exchange contracts for these investments as of June 30, 2011:

Description	Delivery Dates	Notional Value	Fair Market Value
<b>Foreign Currency Exchange</b>			
<b>Contracts Purchased:</b>			
Australian Dollar	9/21/2011	\$ 1,979	\$ 2,013
Canadian Dollar	9/21/2011	590	598
Danish Krone	9/21/2011	81	82
Eurodollar	9/21/2011	4,458	4,498
Hong Kong Dollar	9/21/2011	447	447
Israeli Shekel	9/21/2011	2	2
Japanese Yen	9/21/2011	1,484	1,475
New Zealand Dollar	9/21/2011	90	90
Norwegian Krone	9/21/2011	317	320
Pound Sterling	9/21/2011	1,636	1,618
Singapore Dollar	9/21/2011	422	425
Swedish Krona	9/21/2011	455	457
Swiss Franc	9/21/2011	922	921
<b>Total Contracts Purchased</b>		<b>12,883</b>	<b>12,946</b>
<b>Foreign Currency Exchange</b>			
<b>Contracts Sold:</b>			
Australian Dollar	9/21/2011	1,981	2,005
Canadian Dollar	9/21/2011	590	598
Danish Krone	9/21/2011	243	245
Eurodollar	9/21/2011	4,459	4,499
Hong Kong Dollar	9/21/2011	447	447
Japanese Yen	9/21/2011	1,336	1,328
New Zealand Dollar	9/21/2011	90	90
Norwegian Krone	9/21/2011	434	444
Pound Sterling	9/21/2011	2,132	2,111
Singapore Dollar	9/21/2011	423	425
Swedish Krona	9/21/2011	451	457
Swiss Franc	9/21/2011	298	298
<b>Total Contracts Sold</b>		<b>12,884</b>	<b>12,947</b>
<b>Total Foreign Currency</b>			
Exchange Contracts		<b>\$ 25,767</b>	<b>\$ 25,893</b>
<b>Net Forward Foreign Currency</b>			
Exchange Contracts		<b>\$ 1</b>	<b>\$ 1</b>



Concrete canoe—OIT

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 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, 2011:

University System		
Investment Type:	Fair Value	Asset Allocation
Mutual Funds - Domestic Fixed Income	\$ 113,053	45%
Corporate Bonds	35,024	14%
US Agency Securities	32,830	13%
US Government Bonds	5,073	2%
Guaranteed Investment Contracts	2,844	1%
Municipal Bonds	1,916	1%
Money Market Funds	1,056	-
Fixed Income Investments	191,796	
International Equity Securities	13,413	5%
Mutual Funds - Domestic Equity Securities	16,739	7%
Mutual Funds - International Equity Securities	6,785	3%
Equity Investments	36,937	
Alternative Equities	6,801	3%
Asset Backed Securities	5,895	2%
Collateralized Mortgage Obligations	5,473	2%
Real Estate	2,251	1%
Other Investments	20,420	
Total All Investments	249,153	100%
Less Amounts Recorded As Cash	(1,056)	
Total Investments	\$ 248,097	

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 2011, there were several significant events in domestic and international investment markets: sovereign debt concerns across Europe, declining consumer confidence, continuing high unemployment, significant regulatory reform and aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates. 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, 2011.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2011, two individually named permanent endowment funds had estimated fair values that, in total, were \$49 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, \$91 million are invested in an intermediate term pool managed by State Treasury, \$86 million are individually held investments, \$66 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, 2011 as follows:

Component Units	
Investment Type:	Fair Value
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 543,273
Investment in Common Stock, Voting Trust and Partnerships	464,074
US Treasury Notes and Government Obligations	67,432
Money Market Funds and Certificates of Deposit	44,077
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	17,125
Land and Buildings	14,159
Remainder Trusts, Unitrusts and Gift Annuities	60,169
Alternative Investments	13,896
Investment Receivables	722
Cash Value of Life Insurance Policies	367
Other	3,974
Total Investments	\$ 1,229,268

### Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. Of these, the policy on the endowment has the least restrictive credit requirements. It's policy 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.

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

At June 30, 2011, OUS investments have the following credit quality ratings:

Investment Type:	Total	Govt	AAA	AA	A	BBB	Below BBB	Unrated
Mutual Funds - Dom. Fixed Inc.	\$ 113,053	\$ 4,613	\$ 29,858	\$ 10,338	\$ 28,580	\$ 37,230	\$ 1,518	\$ 916
Equity Investments	36,937							36,937
Corporate Bonds	35,024		4,203	4,903	21,365	4,553		
US Agency Securities	32,830		29,645		3,185			
Alternative Equities	6,801							6,801
Asset Backed Securities	5,895		5,895					
Collateralized Mortgage Oblig.	5,473		5,473					
US Govt Bonds	5,073	5,073						
Guaranteed Investment Contracts	2,844							2,844
Real Estate	2,251							2,251
Municipals	1,916			1,916				
Money Market Funds	1,056							1,056
<b>Fair Value</b>	<b>\$ 249,153</b>	<b>\$ 9,686</b>	<b>\$ 75,074</b>	<b>\$ 17,157</b>	<b>\$ 53,130</b>	<b>\$ 41,783</b>	<b>\$ 1,518</b>	<b>\$ 50,805</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. There are policy provisions around securities lending which controls this risk. See "C. Securities Lending" in this footnote for additional information.

## 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, 2011.

## 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 has the following investments in corporate bonds and fixed income mutual funds at June 30, 2011 (duration in years):

Investment Type:	Fair Value	Duration
Mutual Funds-Domestic Fixed Income	\$ 113,053	3.87
Corporate Bonds	35,024	3.08
US Agency Securities	32,830	3.87
Asset Backed Securities	5,895	2.60
Collateralized Mortgage Obligations	5,473	3.96
US Government Bonds	5,073	8.36
Guaranteed Investment Contracts	2,844	3.00
Municipals	1,916	6.71
Money Market Funds	1,056	0.50
<b>Total Fair Value</b>	<b>\$ 203,164</b>	
Portfolio Weighted Average Duration		3.81

## 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 \$20 million in mutual funds that are primarily invested in international equities at June 30, 2011.

## 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 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, 2011 and 2010 (dollars in thousands)

	June 30, 2011	June 30, 2010
OUS Securities on loan:		
Fair Value	\$ 56	\$ 257
Cash Collateral held by OUS:		
Fair Value	58	271
Reported Value	58	260
OSTF Securities on loan:		
Fair Value	272,992	358,993
Cash Collateral held by OSTF:		
Fair Value	253,565	366,384
Reported Value	253,568	366,444

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, 2011, 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 Certificates of Participation 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.



Residence hall courtyard —WOU



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 3. Accounts Receivable

Accounts Receivable comprised the following:

	June 30, 2011	June 30, 2010
Student Tuition and Fees	\$ 107,195	\$ 99,080
Auxiliary Enterprises and Other		
Operating Activities	24,584	20,814
Federal Grants and Contracts	49,356	51,917
State, Other Government, and Private		
Gifts, Grants and Contracts	16,901	21,741
Component Units	17,470	11,330
Other	16,619	12,835
	<u>232,125</u>	<u>217,717</u>
Less: Allowance for Doubtful Accounts	(15,856)	(15,223)
Accounts Receivable, Net	\$ 216,269	\$ 202,494



Music Lesson—UO

## 4. Notes Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2011 and 2010. 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:

	June 30, 2011		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 1,876	\$ 3,752	\$ 5,628
Federal Student Loans	14,282	60,764	75,046
Amounts Due from OHSU for Bond			
Indebtedness (See Note 8.H.)	4,310	46,152	50,462
	<u>20,468</u>	<u>110,668</u>	<u>131,136</u>
Less: Allowance for Doubtful			
Accounts	(3,715)	(7,324)	(11,039)
Notes Receivable, Net	\$ 16,753	\$ 103,344	\$ 120,097

	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.H.)	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	\$ 16,243	\$ 81,014	\$ 97,257



Campus Recycling—OSU

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 5. Capital Assets

The following schedule reflects the changes in capital assets:

	Balance June 30, 2009	Additions	Retirements and Adjustments	Balance June 30, 2010	Additions	Retirements and Adjustments	Balance June 30, 2011
<b>Capital Assets, Non-depreciable/</b>							
<b>Non-amortizable:</b>							
Land	\$ 106,697	\$ 9,238	\$ (77)	\$ 115,858	\$ 9,402	\$ (12)	\$ 125,248
Capitalized Collections	62,011	2,836	(953)	63,894	1,694	(202)	65,386
Construction in Progress	250,592	366,153	(263,340)	353,405	387,585	(409,914)	331,076
Intangible Assets (A)	-	1	-	1	-	(1)	-
Intangible Assets in Progress (A)	-	409	-	409	6,688	(159)	6,938
<b>Total Capital Assets, Non-depreciable/Non-amortizable</b>	<b>419,300</b>	<b>378,637</b>	<b>(264,370)</b>	<b>533,567</b>	<b>405,369</b>	<b>(410,288)</b>	<b>528,648</b>
<b>Capital Assets, Depreciable/</b>							
<b>Amortizable:</b>							
Equipment	306,107	31,410	(11,856)	325,661	33,879	(11,838)	347,702
Library Materials	320,451	8,611	(6,402)	322,660	5,007	(1,013)	326,654
Buildings	1,868,603	270,186	(3,285)	2,135,504	407,667	(924)	2,542,247
Land Improvements	44,493	3,393	(128)	47,758	12,234	-	59,992
Improvements Other Than Buildings	24,195	2,361	(20)	26,536	940	-	27,476
Infrastructure	61,736	23,555	(113)	85,178	10,050	(381)	94,847
Intangible Assets (A)	-	2,101	35,413 A	37,514	1,293	-	38,807
<b>Total Capital Assets, Depreciable/Amortizable</b>	<b>2,625,585</b>	<b>341,617</b>	<b>13,609</b>	<b>2,980,811</b>	<b>471,070</b>	<b>(14,156)</b>	<b>3,437,725</b>
<b>Less Accumulated Depreciation/</b>							
<b>Amortization for:</b>							
Equipment	(211,869)	(24,937)	11,196	(225,610)	(26,082)	10,166	(241,526)
Library Materials	(262,735)	(12,347)	6,351	(268,731)	(11,555)	961	(279,325)
Buildings	(733,906)	(57,697)	1,349	(790,254)	(65,719)	(2,722)	(858,695)
Land Improvements	(16,481)	(2,447)	3	(18,925)	(2,793)	1	(21,717)
Improvements Other than Buildings	(13,573)	(1,514)	(10)	(15,097)	(1,695)	(5)	(16,797)
Infrastructure	(41,885)	(2,550)	50	(44,385)	(4,042)	(3)	(48,430)
Intangible Assets (A)	-	(1,957)	(22,884) A	(24,841)	(1,839)	-	(26,680)
<b>Total Accumulated Depreciation/ Amortization</b>	<b>(1,280,449)</b>	<b>(103,449)</b>	<b>(3,945)</b>	<b>(1,387,843)</b>	<b>(113,725)</b>	<b>8,398</b>	<b>(1,493,170)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,764,436</b>	<b>\$ 616,805</b>	<b>\$ (254,706)</b>	<b>\$ 2,126,535</b>	<b>\$ 762,714</b>	<b>\$ (416,046)</b>	<b>\$ 2,473,203</b>
<b>Capital Assets Summary</b>							
Capital Assets, Non-depreciable/ Non-amortizable	\$ 419,300	\$ 378,637	\$ (264,370)	\$ 533,567	\$ 405,369	\$ (410,288)	\$ 528,648
Capital Assets, Depreciable/ Amortizable	2,625,585	341,617	13,609	2,980,811	471,070	(14,156)	3,437,725
<b>Total Cost of Capital Assets</b>	<b>3,044,885</b>	<b>720,254</b>	<b>(250,761)</b>	<b>3,514,378</b>	<b>876,439</b>	<b>(424,444)</b>	<b>3,966,373</b>
Less Accumulated Depreciation/ Amortization	(1,280,449)	(103,449)	(3,945)	(1,387,843)	(113,725)	8,398	(1,493,170)
<b>Total Capital Assets, Net</b>	<b>\$ 1,764,436</b>	<b>\$ 616,805</b>	<b>\$ (254,706)</b>	<b>\$ 2,126,535</b>	<b>\$ 762,714</b>	<b>\$ (416,046)</b>	<b>\$ 2,473,203</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 relating to this implementation.

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 6. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2011	June 30, 2010
Services and Supplies	\$ 99,310	\$ 88,853
Accrued Interest	29,543	23,576
Salaries and Wages	20,455	15,890
Payroll Related Expenses	9,811	4,933
Contract Retainage Payable	11,383	8,085
Matured Bonds, COPs and Interest Payable	1,688	2,037
Other	5,187	810
	<b>\$ 177,377</b>	<b>\$ 144,184</b>



Actors in play production—SOU

## 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 \$8,949 and \$6,507 for the years ended June 30, 2011 and 2010, respectively. The original cost of assets leased, net of depreciation, was \$49,161 and \$45,879 for the years ended June 30, 2011 and 2010, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2011 were:

For the year ending June 30,	
2012	\$ 6,935
2013	5,233
2014	3,792
2015	2,505
2016	2,404
2017-2021	10,067
2022-2026	8,436
2027-2031	9,109
2032-2036	8,792
2037-2041	8,016
2042-2046	3,284
2047-2051	532
2052-2056	246
<b>Total Minimum Operating Lease Revenues</b>	<b>\$ 69,351</b>

### B. Payables/Expenses

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$16,154 and \$13,920 for the years ended June 30, 2011 and 2010, respectively. Minimum future lease payments on operating leases at June 30, 2011 were:

For the year ending June 30,	
2012	\$ 11,970
2013	10,596
2014	9,529
2015	9,167
2016	8,899
2017-2021	33,385
2022-2026	19,709
2027-2031	3,537
2032-2036	491
2037-2041	3
<b>Total Minimum Operating Lease Payments</b>	<b>\$ 107,286</b>

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

### 8. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance			Balance June 30, 2011	Amounts due within one year	Long-term Portion
	June 30, 2010	Additions	Reductions			
<b>Long-Term Debt</b>						
General Obligation Bonds XI-F(1)	\$ 1,103,239	\$ 117,814	\$ (30,683)	\$ 1,190,370	\$ 45,642	\$ 1,144,728
General Obligation Bonds XI-G	358,680	75,022	(10,750)	422,952	12,112	410,840
General Obligation Bonds XI-Q	-	41,700	(15)	41,685	1,422	40,263
Oregon Department of Energy Loans (SELP)	57,326	36,310	(2,492)	91,144	3,696	87,448
Certificates of Participation (COPs)	114,021	-	(8,384)	105,637	8,233	97,404
Lottery Bonds	88,155	25,047	(4,359)	108,843	2,955	105,888
Capital Leases	696	18	(100)	614	72	542
Arbitrage	573	85	(384)	274	126	148
Other Notes Payable	13	-	(13)	-	-	-
<b>Total Long-Term Debt</b>	<b>1,722,703</b>	<b>295,996</b>	<b>(57,180)</b>	<b>1,961,519</b>	<b>74,258</b>	<b>1,887,261</b>
<b>Other Noncurrent Liabilities</b>						
Compensated Absences	45,043	47,423	(45,043)	47,423	42,895	4,528
OHSU Contract Payable	-	28,632	(603)	28,029	5,606	22,423
Other Postemployment Benefits	12,054	2,062		14,116	-	14,116
Deferred Compensation	11,085	2,092	(1,110)	12,067	1,237	10,830
Employee Termination Liabilities	4,466	149	(1,269)	3,346	1,296	2,050
Deferred Revenue	1,979		(100)	1,879	100	1,779
Early Retirement Liability	311	1,906	(326)	1,891	695	1,196
Deferred Inflow	-	147	-	147	147	-
<b>Total Other Noncurrent Liabilities</b>	<b>74,938</b>	<b>82,411</b>	<b>(48,451)</b>	<b>108,898</b>	<b>51,976</b>	<b>56,922</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 1,797,641</b>	<b>\$ 378,407</b>	<b>\$ (105,631)</b>	<b>\$ 2,070,417</b>	<b>\$ 126,234</b>	<b>\$ 1,944,183</b>

	Balance			Balance June 30, 2010	Amounts due within one year	Long-term Portion
	June 30, 2009	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>



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

The schedule of principal and interest payments for OUS debt is as follows:

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	XI-Q								
2012	\$ 97,019	\$ 28,633	\$ 2,912	\$ 8,606	\$ 12,751	\$ 7,603	\$ 119	\$ 126	\$ 157,769	\$ 62,271	\$ 95,498
2013	94,613	30,930	3,344	8,446	12,144	6,913	102	148	156,640	59,878	96,762
2014	93,564	30,988	3,716	8,375	10,792	7,849	97		155,381	61,899	93,482
2015	89,802	30,970	3,705	8,257	9,266	10,082	96		152,178	63,447	88,731
2016	90,969	30,988	3,716	8,166	8,427	10,072	93		152,431	65,279	87,152
2017-2021	436,450	151,293	16,079	38,217	37,776	45,766	327		725,908	346,491	379,417
2022-2026	385,889	144,567	9,551	35,231	33,938	49,592			658,768	394,982	263,786
2027-2031	334,451	121,592	8,947	30,332	22,063	21,291			538,676	377,435	161,241
2032-2036	253,574	80,401	6,519	2,410	6,604				349,508	271,329	78,179
2037-2041	132,025	43,484							175,509	157,370	18,139
2042	5,958	3,660							9,618	9,386	232
Accreted Interest										58,404	(58,404)
										\$ 1,928,171	\$ 1,304,215
<b>Total Future Debt Service</b>	<b>2,014,314</b>	<b>697,506</b>	<b>58,489</b>	<b>148,040</b>	<b>153,761</b>	<b>159,168</b>	<b>834</b>	<b>274</b>	<b>3,232,386</b>		
Less: Interest Component of Future Payments	(839,909)	(279,663)	(21,494)	(56,896)	(51,859)	(54,174)	(220)		(1,304,215)		
<b>Principal Portion of Future Payments</b>	<b>1,174,405</b>	<b>417,843</b>	<b>36,995</b>	<b>91,144</b>	<b>101,902</b>	<b>104,994</b>	<b>614</b>	<b>274</b>	<b>1,928,171</b>		
Adjusted by:											
Unamortized Bond Premiums	28,139	9,167	4,690		3,735	4,175			49,906		
Deferred Gain on Refunding	(12,174)	(4,058)				(326)			(16,558)		
<b>Total Long-Term Debt</b>	<b>\$ 1,190,370</b>	<b>\$ 422,952</b>	<b>\$ 41,685</b>	<b>\$ 91,144</b>	<b>\$ 105,637</b>	<b>\$ 108,843</b>	<b>\$ 614</b>	<b>\$ 274</b>	<b>\$ 1,961,519</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 construction. OUS policy requires the establishment and maintenance of sinking funds and those funds are included in Cash and Cash Equivalents. See "I. Defeased Debt" in this note for information relating to debt issued to refund existing debt.

XI-F(1) bonds, with effective yields ranging from 0.4 percent to 7.3 percent, are due serially through 2042.

During the fiscal year ended June 30, 2011, OUS issued bonded indebtedness as follows:

- XI-F(1) Tax Exempt Bond Series 2011 EFG, \$109,185, effective rate of 4.4 percent for capital construction due serially through 2042.

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, average net rate of 3.9 percent for capital construction and refunding due serially through 2040.

## 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 "I. Defeased Debt" in this note for information

relating to debt issued to refund existing debt.

XI-G bonds, with effective yields ranging from 0.4 percent to 7.0 percent, are due serially through 2042.

During the fiscal year ended June 30, 2011, OUS issued bonded indebtedness as follows:

- XI-G Tax Exempt Bonds Series 2011 H, \$68,905, effective rate of 4.4 percent for capital construction due serially through 2042.

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, average rate of 4.7 percent for capital construction and refunding due serially through 2040.

## C. General Obligation Bonds XI-Q

The Oregon Constitution authorizes issuance of Article XI-Q State of Oregon General Obligation Bonds. Article XI-Q bond issuances are used to finance certain equipment, computer software purchases and construction projects. OUS makes payments (principal and interest) to a trustee in accordance with an interagency agreement. The trustee, in turn, makes the debt service payments to XI-Q holders. XI-Q, with effective yields ranging from 0.3 percent to 3.7 percent, are due serially through fiscal year 2036.

During the fiscal year ended June 30, 2011, the State issued on OUS's behalf XI-Q bonds as follows:

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

- Series 2011 J, \$36,995, effective rate of 3.3 percent for technology projects and construction due serially through 2036.

## D. 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 6.74 percent, are due through 2032.

## E. 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 1.0 percent to 6.2 percent, are due through fiscal year 2035.

During the fiscal year 2011, the State issued no COPs on behalf of OUS.

During the fiscal year ended June 30, 2010, the State issued on OUS's behalf COPs as follows:

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

## F. 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 286A.560 to 286A.585 and 348.716, and under the authority of ORS Chapter 903. Lottery Bonds, with effective yields ranging from 2.5 percent to 5.3 percent, are due through fiscal year 2031.

During the fiscal year ended June 30, 2011, the State issued on OUS's behalf Lottery Bonds as follows:

- Tax Exempt Series 2011 AB, \$23,076, effective rate of 4.5 percent for technology projects and construction due serially through 2031.

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

## G. Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the non-purpose 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, 2011 and 2010 was \$274 and \$573, respectively.

## H. 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.

During fiscal year 2011, OUS entered into a joint construction project with OHSU. Part of the bonds issued by OUS to fund the construction will be repaid by OHSU which increased the note receivable and created a contract payable of \$28,632.

A note receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU (See Note 4). At June 30, 2011 and 2010, long-term debt of OUS that relates to OHSU was \$50,462 and \$24,153, respectively.

## I. Defeased Debt

From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease other debt. During the year ended June 30, 2011, OUS issued \$1,474 of 2011B Lottery Bonds with an average interest rate of 4.7 percent to refund \$1,525 in Lottery Bonds with an average interest rate of 3.9 percent. The net proceeds of the Lottery Bonds were \$1,650 (after net premium of \$188 and payment of \$12 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 \$75. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

\$346 and resulted in an economic loss of \$50.

During the year ended June 30, 2010, OUS issued \$37,595 in XI-F(1) bonds with an average interest rate of 4.8 percent to refund \$39,515 in XI-F(1) bonds with an average interest rate of 4.7 percent. The net proceeds of the bonds were \$41,406 (after bond premium of \$1,745 and payment of \$205 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. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by \$3,594 and resulted in an economic gain of \$2,581.

During the year ended June 30, 2010, OUS issued \$5,025 in XI-G bonds with an average interest rate of 5.0 percent to refund \$5,455 in XI-G bonds with an average interest rate of 4.8 percent. The net proceeds of the bonds were \$5,568 (after bond premium of \$575 and payment of \$32 in underwriting costs).

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

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 \$185,772 at June 30, 2011 and \$184,294 at June 30, 2010 of which \$47 related to OHSU.

## J. Capital Leases

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$797 and \$969 as of June 30, 2011 and 2010, respectively. Accumulated depreciation of leased equipment totaled \$158 and \$193 for June 30, 2011 and 2010, 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 7.9 percent.

## K. 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.

## L. 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 two to seven 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.

## M. Early Retirement Liability

OSU offered a voluntary tenure relinquishment plan from May 1 to December 1, 2010. The tenured faculty had to meet specific length of service and retirement eligibility criteria. In exchange for relinquishing tenure, the faculty members receive subsidy payments for health benefits for a term not to exceed 36 months following retirement. The subsidy payment is adjusted on an annual basis based on specified premium rates. Thirty-four faculty members entered into a contractual agreement with OSU to participate in this plan.

EOU is offering a tenure relinquishment plan that closes November 30, 2011. Faculty accepting the plan will retire December 31, 2011 and will receive a fixed subsidy amount for health benefits covering the term until the faculty member turns 65. As of June 30, 2011, three faculty members have selected retirement under this plan with terms ranging from 11 to 42 months.

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, 2011, 10 retirees were participating in the health and benefits option of this plan.

Early retirement liabilities comprised \$695 and \$126 in Current Portion of Long-Term Liabilities and \$1,196 and \$185 in Long-

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

Term Liabilities as of June 30, 2011 and 2010, respectively. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate ranging from 0.65 to 6.0 percent.

## 9. Unrestricted Net Assets

Unrestricted Net Assets comprised the following:

	June 30, 2011	June 30, 2010
Budgeted Operating Funds	\$ 214,674	\$161,389
Designated Operating Funds	35,319	27,268
Service Department Funds	4,351	3,108
Housing Funds	34,709	30,467
Intercollegiate Athletics Funds	(14,614)	(17,061)
Other Auxiliary Funds and Other Funds	55,058	44,477
Repair and Replacements Funds	16,576	16,197
Unrestricted Endowment Funds	2,883	3,129
	<b>\$ 348,956</b>	<b>\$ 268,974</b>

## 10. Investment Activity

Investment Activity detail is as follows:

	June 30, 2011	June 30, 2010
Interest Income	\$ 2,871	\$ 4,810
Net Appreciation of Investments	17,845	8,985
Royalties and Technology Transfer Income	8,712	6,007
Endowment Income	2,608	2,645
Trust Income Distribution	(2,603)	(2,642)
Loss on Sale of Investment	(2,257)	-
Dividend Income	2	2
Other	-	126
	<b>\$ 27,178</b>	<b>\$ 19,933</b>

## 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:

	June 30, 2011	June 30, 2010
Compensation and Benefits	\$ 1,356,730	\$ 1,276,719
Services and Supplies	498,248	456,852
Scholarships and Fellowships	128,005	121,151
Depreciation and Amortization	113,725	103,449
Other Expenses	2,711	4,541
	<b>\$ 2,099,419</b>	<b>\$ 1,962,712</b>



Cascades Hall—OSU Cascades Campus

## 12. Government Appropriations

Government appropriations comprised the following:

	June 30, 2011			
	General Operations	Debt Service	Capital Construc- tion	Total
General Fund	\$ 339,289	\$ 37,282	\$ -	\$ 376,571
SFSF (1)	23,178			23,178
Lottery Funding	4,404	6,887		11,291
Harvest Tax	2,877			2,877
Return of Debt Service		(7,483)		(7,483)
Total State	<b>369,748</b>	<b>36,686</b>	<b>-</b>	<b>406,434</b>
Federal Appropriations	10,235			10,235
County Appropriations	6,762			6,762
Total Appropriations	<b>\$ 386,745</b>	<b>\$ 36,686</b>	<b>\$ -</b>	<b>\$ 423,431</b>

	June 30, 2010			
	General Operations	Debt Service	Capital Construc- tion	Total
General Fund	\$ 321,629	\$ 31,454	\$ -	\$ 353,083
SFSF (1)	47,646			47,646
Lottery Funding	5,261	6,034		11,295
Harvest Tax	2,455			2,455
Return of Debt Service		(1,422)		(1,422)
Total State	<b>376,991</b>	<b>36,066</b>	<b>-</b>	<b>413,057</b>
Federal Appropriations	9,099			9,099
County Appropriations	6,368			6,368
Total Appropriations	<b>\$ 392,458</b>	<b>\$ 36,066</b>	<b>\$ -</b>	<b>\$ 428,524</b>

(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, 2011 and 2010 (dollars in thousands)

## 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 for the fiscal years ended 2011 and 2010.

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, 2011 and 2010 were \$28,574 and \$27,621, 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 for the fiscal years ended 2011 and 2010.

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, 2009. The valuation included projected payroll

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

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, 2009, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$56.3 billion and \$535.5 million, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$42.8 billion and \$445.4 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/section/financial\\_reports/2010\\_cafr.pdf](http://www.oregon.gov/PERS/section/financial_reports/2010_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, 2011 and 2010 were \$11,282 and \$10,761, 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:

	2011	2010
ORP Tier One	11.89%	11.89%
ORP Tier Two	11.89%	11.89%
OPSRP Equivalent	5.89%	5.89%

## 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.

## Summary of Pension Payments

OUS total payroll for the year ended June 30, 2011 was \$926,600, of which \$735,254 was subject to retirement contributions. The following schedule lists payments made by OUS to pension plans for the fiscal year:

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

	June 30, 2011			
	Employer Contri- bution	As a % of Covered Payroll	Employee Contri- bution	As a % of Covered Payroll
PERS/OPSRP	\$ 11,282	1.54%	\$ 28,559	3.88%
ORP	21,615	2.93%	14,262	1.94%
TIAA-CREF	233	0.03%	233	0.03%
Federal	407	0.06%	136	0.02%
FERS - TSP	115	0.02%	339	0.05%
	<b>\$ 33,652</b>	<b>4.58%</b>	<b>\$ 43,529</b>	<b>5.92%</b>

Of the employee share, the employer paid \$28,282 of PERS/OPSRP, \$14,192 of ORP, and \$233 of TIAA-CREF during the fiscal year ended June 30, 2011. The federal contributions of \$136 represent FERS and CSRS employees, and the \$339 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 2011.

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

	June 30, 2010			
	Employer Contri- bution	As a % of Covered Payroll	Employee Contri- bution	As a % of Covered 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%
	<b>\$ 32,550</b>	<b>4.60%</b>	<b>\$ 41,962</b>	<b>5.93%</b>

Of the employee share, the employer paid \$27,319 of PERS/OPSRP, \$13,582 of ORP, and \$244 of TIAA-CREF during the fiscal year ended June 30, 2010. The federal contributions of \$156 represent FERS and CSRS employees, and the \$335 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.

## 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 27 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 2011.

*Funding Policy.* OUS's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2011 and 2010, OUS paid healthcare insurance premiums of \$184,453 and \$163,612, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$2,404 and \$2,145 for the fiscal years ended 2011 and 2010, 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:

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

	June 30, 2011
Annual Required Contribution	\$ 4,681
Interest on Net OPEB Obligation	515
Adjustment to Annual Required Contribution	(730)
Annual OPEB Cost	4,466
Contributions Made	(2,404)
Increase in Net OPEB Obligation	2,062
Net OPEB Obligation - Beginning of Year	12,054
Net OPEB Obligation - End of Year	\$ 14,116

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 2011 and 2010 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 4,681	56%	\$ 2,062
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:

	June 30, 2011
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, prepared bi-annually, 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

### Schedule of Funding Progress

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a 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%
6/30/2011	-	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, 2011 and 2010, was \$7,178 and \$6,360, respectively.

## 16. Risk Financing

As a state agency, OUS participates in the state insurance fund managed by the State of Oregon Risk Management Divi-

sion 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 pur-



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

chases commercial insurance for specific insurance needs 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 \$394,866 and \$437,795 at June 30, 2011 and 2010, 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, 2011.

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, 2011.

### Construction Commitments as of June 30, 2011

Campus/Project Description	Total Commitment	Completed to Date	Outstanding Commitment
<b>Eastern Oregon University:</b>			
Pierce Library	\$ 8,594	\$ 841	\$ 7,753
<b>Oregon Institute of Technology:</b>			
Geothermal Power Plant	4,178	1,137	3,041
<b>Oregon State University:</b>			
INTO-OSU Living Learning Ctr	52,000	40,799	11,201
Linus Pauling Institute	31,256	20,686	10,570
Student Success Center	14,000	1,226	12,774
Strand Agriculture Hall	13,437	39	13,398
Education Hall	12,152	6,503	5,649
Capital Renovations	11,582	10,222	1,360
Nash Hall Renovation	10,439	9,496	943
Animal Research Pavilion	8,240	859	7,381
Reser Phase 2 - Gill Annex	6,800	2,142	4,658
Deferred Maintenance	5,765	22	5,743
Cauthorn/Poling Remodel	5,600	2,146	3,454
Natl Wave Energy Research Center	5,260	2,836	2,424
Hallie Ford Center	5,000	4,042	958
HP Building 11 Renovation	4,750	3,780	970
Cultural Center	4,500	763	3,737
New Engery Center	3,978	2,581	1,397
Sacket Hall	3,500	8	3,492
Track and Field Complex	2,650	272	2,378
Information Technology Projects	2,000	713	1,287
Owen Hall Remodel	1,400	605	795
Sports Performance Center	1,200	491	709
<b>Portland State University:</b>			
Life Sciences Building	110,150	754	109,396
Lincoln Hall Renovation	20,602	19,227	1,375
Science Research & Teaching Ctr	15,349	9,661	5,688
Capital Repair	13,444	8,237	5,207
Science Building I & II	11,441	6,808	4,633
Campus Loop	10,032	9,041	991
Student Building Fee Project	2,550	724	1,826
<b>Southern Oregon University:</b>			
Churchill Hall	3,692	295	3,397
Capital Repair	2,355	1,181	1,174
<b>University of Oregon:</b>			
Basketball Arena Project	200,000	195,735	4,265
East Campus Residence Hall	68,000	24,975	43,025
Integrative Science Complex	65,661	33,422	32,239
Central Power Station	54,178	50,999	3,179
Capital Repairs	28,270	13,389	14,881
Gilbert Hall Remodel	9,837	8,537	1,300
Fenton Hall	8,072	5,979	2,093
Allen Hall Expansion	7,500	19	7,481
Education Center	6,901	6,170	731
Computing Center	6,200	4,794	1,406
Straub Hall	4,321	11	4,310
Living Learning Center	3,000	1,649	1,351
<b>Western Oregon University:</b>			
Live and Learn Residence Hall	9,375	8,631	744
Alderview Family Housing	4,800	3,683	1,117
Capital Repairs	4,290	1,799	2,491
Health Wellness Center	3,500	1,490	2,010
<b>Projects with &lt;\$500 thousand remaining to be spent</b>			
	338,719	332,563	6,156
<b>Project Budgets &lt;\$1 million</b>			
	95,281	68,953	26,328
	<b>\$ 1,325,801</b>	<b>\$ 930,935</b>	<b>\$ 394,866</b>

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## 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, 2011 and 2010, except for Eastern Oregon University Foundation reporting for December 31, 2010 and 2009.

During the years ended June 30, 2011 and 2010, gifts of \$132,260 and \$151,293, 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 97850-2807
- 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, 1720 E, 13th Avenue, Suite 410, Eugene, OR 97403-1905
- 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 97331-8521

# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## Component Units

### Combining Financial Statements

<b>Statements of Financial Position</b>	<b>Eastern Oregon University Foundation *</b>	<b>Oregon Tech Foundation</b>	<b>Oregon State University Foundation</b>
As of June 30, 2011			
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,314	\$ 25	\$ 13,161
Contributions, Pledges and Grants Receivable, Net	1,677	2,091	54,215
Investments	4,986	19,439	473,986
Prepaid or Deferred Expenses, and Other Assets	170	382	12,543
Property and Equipment, Net	1,317		9,375
<b>Total Assets</b>	<b>\$ 9,464</b>	<b>\$ 21,937</b>	<b>\$ 563,280</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 33	\$ 3,102
Accounts Payable to Universities		422	6,140
Obligations to Beneficiaries of Split-Interest Agreements		51	27,955
Deposits and Deferred Revenue	\$ 1		
Long-Term Liabilities		2,884	
<b>Total Liabilities</b>	<b>\$ 1</b>	<b>\$ 3,390</b>	<b>\$ 37,197</b>
<b>NET ASSETS</b>			
Unrestricted Surplus (Deficit)	\$ 689	\$ 9,854	\$ 1,718
Temporarily Restricted	4,020	3,382	225,664
Permanently Restricted	4,754	5,311	298,701
<b>Total Net Assets</b>	<b>\$ 9,463</b>	<b>\$ 18,547</b>	<b>\$ 526,083</b>
<b>Statements of Activities</b>			
For the Year Ended June 30, 2011			
<b>REVENUES</b>			
Grants, Bequests and Gifts	\$ 2,325	\$ 2,573	\$ 66,844
Interest and Dividends			10,481
Investment Income, Net	405	2,707	52,990
Change in Value of Life Income Agreements		83	5,432
Other Revenues	242	15	12,445
<b>Total Revenues</b>	<b>2,972</b>	<b>5,378</b>	<b>148,192</b>
<b>EXPENSES</b>			
General and Administrative	256	512	16,162
Development Expenses			
University Support	300	968	40,148
Other Expenses		2,049	6,385
<b>Total Expenses</b>	<b>556</b>	<b>3,529</b>	<b>62,695</b>
<b>Increase In Net Assets</b>	<b>2,416</b>	<b>1,849</b>	<b>85,497</b>
<b>NET ASSETS</b>			
Beginning Balance	7,047	16,698	440,586
<b>Ending Balance</b>	<b>\$ 9,463</b>	<b>\$ 18,547</b>	<b>\$ 526,083</b>

\* As of December 31, 2010

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Agricultural Research Foundation	Total Component Units
\$ 1,493	\$ 1,068	\$ 18,320	\$ 848	\$ 1,632	\$ 37,861
2,555	72	151,665	42		212,317
60,605	18,886	622,167	10,552	18,647	1,229,268
8,418	1,233	14,916	602		38,264
37,351	1,412		180	16	49,651
<b>\$ 110,422</b>	<b>\$ 22,671</b>	<b>\$ 807,068</b>	<b>\$ 12,224</b>	<b>\$ 20,295</b>	<b>\$ 1,567,361</b>
\$ 1,950	\$ 12	\$ 2,326			\$ 7,423
289	278	8,267			15,396
945	597	45,901	\$ 1,115		76,564
149	179	11,742			12,071
48,992	1,235	24,109			77,220
<b>\$ 52,325</b>	<b>\$ 2,301</b>	<b>\$ 92,345</b>	<b>\$ 1,115</b>	<b>\$ -</b>	<b>\$ 188,674</b>
\$ (3,930)	\$ (106)	\$ 6,555	\$ 822	\$ 927	\$ 16,529
29,749	4,103	366,617	3,490	18,465	655,490
32,278	16,373	341,551	6,797	903	706,668
<b>\$ 58,097</b>	<b>\$ 20,370</b>	<b>\$ 714,723</b>	<b>\$ 11,109</b>	<b>\$ 20,295</b>	<b>\$ 1,378,687</b>
\$ 15,485	\$ 2,616	\$ 96,654	\$ 860	\$ 7,360	\$ 194,717
	443	4,286	300		15,510
7,269	3,426	53,662	1,194	323	121,976
	(71)	7,046			12,490
9,213	481	1,135	215		23,746
<b>31,967</b>	<b>6,895</b>	<b>162,783</b>	<b>2,569</b>	<b>7,683</b>	<b>368,439</b>
1,408	780	7,481	735		27,334
				6,043	6,043
16,569	1,652	94,888			154,525
	10				8,444
<b>17,977</b>	<b>2,442</b>	<b>102,369</b>	<b>735</b>	<b>6,043</b>	<b>196,346</b>
<b>13,990</b>	<b>4,453</b>	<b>60,414</b>	<b>1,834</b>	<b>1,640</b>	<b>172,093</b>
<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>
<b>\$ 58,097</b>	<b>\$ 20,370</b>	<b>\$ 714,723</b>	<b>\$ 11,109</b>	<b>\$ 20,295</b>	<b>\$ 1,378,687</b>



# Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (dollars in thousands)

## Component Units

### Combining Financial Statements

<b>Statements of Financial Position</b>	<b>Eastern Oregon University Foundation *</b>	<b>Oregon Tech Foundation</b>	<b>Oregon State University Foundation</b>
As of June 30, 2010			
<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>
<b>LIABILITIES</b>			
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>
<b>NET ASSETS</b>			
Unrestricted Surplus (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>
<b>Statements of Activities</b>			
For the Year Ended June 30, 2010			
<b>REVENUES</b>			
Grants, Bequests and Gifts	\$ 509	\$ 1,089	\$ 58,447
Interest and Dividends			8,990
Investment Income, 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>
<b>EXPENSES</b>			
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>
<b>NET ASSETS</b>			
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, 2011 and 2010 (dollars in thousands)

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Agricultural Research Foundation	Total Component 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>
<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>
<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>

## Supplementary Schedules

### Consolidating Statement of Net Assets

As of June 30, 2011	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 8,217	\$ 12,868	\$ 155,758
Collateral from Securities Lending	-	-	-
Accounts Receivable, Net	4,585	2,823	76,404
Accounts Receivable from Component Units	-	234	6,140
Notes Receivable, Net	270	531	5,079
Inventories	529	451	1,504
Prepaid Expenses	6	192	5,254
<b>Total Current Assets</b>	<b>13,607</b>	<b>17,099</b>	<b>250,139</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents	11,846	5,174	128,819
Investments	2,282	254	33,153
Notes Receivable, Net	1,211	2,385	22,838
Due From Other OUS Funds and Entities	-	-	50
Capital Assets, Net of Accumulated Depreciation	57,795	69,596	712,121
<b>Total Noncurrent Assets</b>	<b>73,134</b>	<b>77,409</b>	<b>896,981</b>
<b>TOTAL ASSETS</b>	<b>\$ 86,741</b>	<b>\$ 94,508</b>	<b>\$ 1,147,120</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 1,707	\$ 2,149	\$ 44,962
Deposits	641	287	4,726
Obligations Under Securities Lending	-	-	-
Current Portion of Long-Term Liabilities	1,888	1,329	23,124
Deferred Revenue	1,913	1,871	36,983
<b>Total Current Liabilities</b>	<b>6,149</b>	<b>5,636</b>	<b>109,795</b>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities	46,045	30,216	259,640
Due to Other OUS Funds and Entities	13,151	27,292	246,617
<b>Total Noncurrent Liabilities</b>	<b>59,196</b>	<b>57,508</b>	<b>506,257</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 65,345</b>	<b>\$ 63,144</b>	<b>\$ 616,052</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 10,210	\$ 17,520	\$ 305,123
Restricted For:			
Nonexpendable Endowments	554	-	3,233
Expendable:			
Gifts, Grants, and Contracts	1,274	837	41,671
Student Loans	1,670	3,473	33,494
Capital Projects	784	306	30,881
Debt Service	17	23	200
Unrestricted Net Assets	6,887	9,205	116,466
<b>TOTAL NET ASSETS</b>	<b>\$ 21,396</b>	<b>\$ 31,364</b>	<b>\$ 531,068</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 91,767	\$ 14,603	\$ 178,439	\$ 26,118	\$ 76,315	\$ (168,330)	\$ 395,755
-	-	-	-	253,626		253,626
50,614	7,235	42,491	6,987	7,660		198,799
12	-	11,084	-	-		17,470
1,541	692	3,564	766	4,310		16,753
426	658	2,420	1,045	-		7,033
1,718	34	4,743	220	12,747	(501)	24,413
<b>146,078</b>	<b>23,222</b>	<b>242,741</b>	<b>35,136</b>	<b>354,658</b>	<b>(168,831)</b>	<b>913,849</b>
71,457	6,013	151,083	11,797	71,849		458,038
2,314	2,857	27,279	66	8,562	171,330	248,097
6,926	3,108	17,281	3,443	46,152		103,344
-	-	-	-	768,435	(768,485)	-
451,492	75,805	1,004,074	99,959	2,361		2,473,203
532,189	87,783	1,199,717	115,265	897,359	(597,155)	3,282,682
<b>\$ 678,267</b>	<b>\$ 111,005</b>	<b>\$ 1,442,458</b>	<b>\$ 150,401</b>	<b>\$ 1,252,017</b>	<b>\$ (765,986)</b>	<b>\$ 4,196,531</b>
\$ 18,658	\$ 2,081	\$ 52,795	\$ 6,808	\$ 45,217	\$ 3,000	\$ 177,377
3,302	1,145	6,198	1,070	1,060		18,429
-	-	-	-	253,626		253,626
11,260	2,394	18,133	2,024	66,082		126,234
26,516	2,768	50,161	2,558	-	(501)	122,269
59,736	8,388	127,287	12,460	365,985	2,499	697,935
242,307	46,493	417,244	48,822	853,416		1,944,183
144,940	14,226	272,827	49,432	-	(768,485)	-
387,247	60,719	690,071	98,254	853,416	(768,485)	1,944,183
<b>\$ 446,983</b>	<b>\$ 69,107</b>	<b>\$ 817,358</b>	<b>\$ 110,714</b>	<b>\$ 1,219,401</b>	<b>\$ (765,986)</b>	<b>\$ 2,642,118</b>
\$ 115,641	\$ 20,781	\$ 422,615	\$ 11,766	\$ (70,134)	\$ -	\$ 833,522
1,285	1,812	7,391	2	2,110		16,387
1,963	1,455	32,307	1,153	2,783		83,443
8,611	4,315	26,293	6,297	6		84,159
15,275	2,813	47,499	755	2,319		100,632
4	44	14	56	86,956		87,314
88,505	10,678	88,981	19,658	8,576		348,956
<b>\$ 231,284</b>	<b>\$ 41,898</b>	<b>\$ 625,100</b>	<b>\$ 39,687</b>	<b>\$ 32,616</b>	<b>\$ -</b>	<b>\$ 1,554,413</b>



## Supplementary Schedules

### Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

For The Year Ended June 30, 2011	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 14,505	\$ 14,582	\$ 180,759
Federal Grants and Contracts	2,107	1,868	163,401
State and Local Grants and Contracts	941	201	5,173
Nongovernmental Grants and Contracts	60	2,843	20,436
Educational Department Sales and Services	244	357	28,659
Auxiliary Enterprises Revenues, Net	7,020	7,903	102,755
Other Operating Revenues	851	716	5,927
<b>Total Operating Revenues</b>	<b>25,728</b>	<b>28,470</b>	<b>507,110</b>
<b>OPERATING EXPENSES</b>			
Instruction	16,047	21,556	171,954
Research	344	319	167,352
Public Service	1,872	2,656	80,207
Academic Support	5,712	4,747	46,846
Student Services	2,423	2,384	21,576
Auxiliary Programs	8,103	10,339	109,535
Institutional Support	5,492	4,773	50,115
Operation and Maintenance of Plant	2,945	3,074	26,846
Student Aid	5,203	4,378	25,484
Other Operating Expenses	3,303	2,785	35,527
<b>Total Operating Expenses</b>	<b>51,444</b>	<b>57,011</b>	<b>735,442</b>
<b>Operating Loss</b>	<b>(25,716)</b>	<b>(28,541)</b>	<b>(228,332)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Appropriations	16,759	19,714	167,277
Grants	8,721	6,161	36,828
Investment Activity	271	65	12,345
(Loss) Gain on Sale of Assets, Net	(1)	-	452
Interest Expense	(2,525)	(2,851)	(21,670)
Other Nonoperating Items	70	2,398	37,982
<b>Net Nonoperating Revenues</b>	<b>23,295</b>	<b>25,487</b>	<b>233,214</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(2,421)</b>	<b>(3,054)</b>	<b>4,882</b>
Capital and Debt Service Appropriations	2,621	1,618	11,437
Capital Grants and Gifts	-	75	9,796
Transfers within OUS	813	418	2,057
<b>Total Other Nonoperating Revenues</b>	<b>3,434</b>	<b>2,111</b>	<b>23,290</b>
<b>Increase (Decrease) In Net Assets</b>	<b>1,013</b>	<b>(943)</b>	<b>28,172</b>
<b>NET ASSETS</b>			
Beginning Balance	20,383	32,307	502,896
<b>Ending Balance</b>	<b>\$ 21,396</b>	<b>\$ 31,364</b>	<b>\$ 531,068</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ 171,212	\$ 24,942	\$ 285,187	\$ 28,665			\$ 719,852
51,793	2,405	105,453	8,808	\$ 5,800	\$ (6,062)	335,573
4,396	265	3,801	2,067	2,195		19,039
11,588	872	8,794	(54)	219		44,758
5,854	2,619	22,293	668	37		60,731
67,038	18,019	126,616	19,952	-		349,303
6,190	1,028	8,249	1,648	2,797		27,406
<b>318,071</b>	<b>50,150</b>	<b>560,393</b>	<b>61,754</b>	<b>11,048</b>	<b>(6,062)</b>	<b>1,556,662</b>
150,647	28,300	205,185	31,484	1,094		626,267
47,152	980	82,767	3,538	-	(5,387)	297,065
9,548	2,862	37,713	435	6,252		141,545
31,445	6,909	40,556	7,152	49		143,416
15,167	4,562	27,856	5,858	-		79,826
60,848	16,809	132,956	21,092	-		359,682
23,894	4,819	59,169	4,694	12,089		165,045
27,558	3,605	29,696	4,011	-		97,735
30,438	6,863	15,749	6,395	1		94,511
20,586	3,804	24,019	5,801	(823)	(675)	94,327
<b>417,283</b>	<b>79,513</b>	<b>655,666</b>	<b>90,460</b>	<b>18,662</b>	<b>(6,062)</b>	<b>2,099,419</b>
<b>(99,212)</b>	<b>(29,363)</b>	<b>(95,273)</b>	<b>(28,706)</b>	<b>(7,614)</b>	<b>-</b>	<b>(542,757)</b>
73,005	16,663	66,528	18,478	8,321		386,745
48,262	10,534	29,061	12,970	-		152,537
730	361	9,744	101	3,561		27,178
(462)	(4)	(186)	-	-		(201)
(16,000)	(2,779)	(21,173)	(3,826)	(5,941)		(76,765)
5,232	3,167	61,439	232	113		110,633
<b>110,767</b>	<b>27,942</b>	<b>145,413</b>	<b>27,955</b>	<b>6,054</b>	<b>-</b>	<b>600,127</b>
<b>11,555</b>	<b>(1,421)</b>	<b>50,140</b>	<b>(751)</b>	<b>(1,560)</b>	<b>-</b>	<b>57,370</b>
8,943	3,004	8,069	2,599	(1,605)		36,686
1,781	877	33,174	378	482		46,563
416	438	58	(202)	(3,998)		-
<b>11,140</b>	<b>4,319</b>	<b>41,301</b>	<b>2,775</b>	<b>(5,121)</b>	<b>-</b>	<b>83,249</b>
<b>22,695</b>	<b>2,898</b>	<b>91,441</b>	<b>2,024</b>	<b>(6,681)</b>	<b>-</b>	<b>140,619</b>
208,589	39,000	533,659	37,663	39,297		<b>1,413,794</b>
<b>\$ 231,284</b>	<b>\$ 41,898</b>	<b>\$ 625,100</b>	<b>\$ 39,687</b>	<b>\$ 32,616</b>	<b>\$ -</b>	<b>\$ 1,554,413</b>

## Supplementary Schedules

### Consolidating Statement of Cash Flows

For the Year Ended June 30, 2011	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 14,260	\$ 14,775	\$ 170,262
Grants and Contracts	3,076	5,014	187,056
Educational Department Sales and Services	242	356	28,506
Auxiliary Enterprise Operations	7,039	7,961	102,096
Student Loan Collections	298	972	5,123
Payments to Employees for Compensation and Benefits	(32,175)	(35,512)	(475,482)
Payments to Suppliers	(16,942)	(12,193)	(173,381)
Student Financial Aid	(5,528)	(4,154)	(35,888)
Student Loan Issuance and Costs	(223)	(1,144)	(3,634)
Other Operating Receipts	2,584	676	4,108
<b>Net Cash Used by Operating Activities</b>	<b>(27,369)</b>	<b>(23,249)</b>	<b>(191,234)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Appropriations	16,758	19,714	167,298
Grants	8,721	6,161	36,828
Other Gifts and Private Contracts	289	2,033	38,157
Net Agency Fund Receipts (Payments)	36	(207)	1,090
Net Transfers from (to) Other Funds and OUS Universities	8,560	-	(4,164)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>34,364</b>	<b>27,701</b>	<b>239,209</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Appropriations	-	-	-
Debt Service Appropriations	2,621	1,619	11,416
Capital Grants and Gifts	-	75	9,823
Bond Proceeds from Capital Debt	10,855	2,739	72,719
Sales of Capital Assets	221	59	7,645
Purchases of Capital Assets	(2,830)	(2,779)	(133,753)
Interest Payments on Capital Debt	(2,525)	(2,851)	(21,670)
Principal Payments on Capital Debt	(3,174)	(1,558)	(14,401)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>5,168</b>	<b>(2,696)</b>	<b>(68,221)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Sales (Purchases) of Investments	12	-	-
Interest on Investments and Cash Balances	79	29	7,501
Interest Income from Securities Lending	-	-	-
Interest Expense from Securities Lending	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>91</b>	<b>29</b>	<b>7,501</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,254</b>	<b>1,785</b>	<b>(12,745)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning Balance	7,809	16,257	297,322
<b>Ending Balance</b>	<b>\$ 20,063</b>	<b>\$ 18,042</b>	<b>\$ 284,577</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 172,396	\$ 24,190	\$ 287,948	\$ 28,834	\$ (304)		\$ 712,361
68,006	3,586	121,054	11,559	7,475	\$ (6,062)	400,764
5,899	2,619	22,118	720	66		60,526
65,150	18,411	132,961	19,851	(1)		353,468
1,488	764	4,101	749	-		13,495
(259,984)	(50,326)	(432,312)	(55,686)	(9,399)		(1,350,876)
(106,420)	(21,058)	(129,194)	(21,553)	(1,089)	6,062	(475,768)
(31,427)	(6,784)	(33,913)	(7,296)	(3,016)		(128,006)
(1,707)	(726)	(2,246)	(590)	(1)		(10,271)
25,671	361	(1,467)	1,670	2,766		36,369
<b>(60,928)</b>	<b>(28,963)</b>	<b>(30,950)</b>	<b>(21,742)</b>	<b>(3,503)</b>	<b>-</b>	<b>(387,938)</b>
73,006	16,664	66,507	18,478	13,891		392,316
48,262	10,535	29,061	12,969	-		152,537
5,013	3,164	56,914	550	111		106,231
(393)	223	837	200	(6,374)		(4,588)
(11,360)	3,305	(60)	(2,593)	6,312		-
<b>114,528</b>	<b>33,891</b>	<b>153,259</b>	<b>29,604</b>	<b>13,940</b>	<b>-</b>	<b>646,496</b>
-	-	21	-	(21)		-
8,942	3,004	8,069	2,600	(526)		37,745
1,781	877	33,437	379	481		46,853
54,286	4,349	68,744	11,203	24,525		249,420
2,958	1,227	2,586	640	17		15,353
(62,098)	(1,325)	(229,042)	(30,353)	(897)		(463,077)
(16,001)	(2,779)	(21,173)	(3,826)	(4,491)		(75,316)
(10,558)	(3,327)	(12,033)	(2,404)	4,458		(42,997)
<b>(20,690)</b>	<b>2,026</b>	<b>(149,391)</b>	<b>(21,761)</b>	<b>23,546</b>	<b>-</b>	<b>(232,019)</b>
74	207	-	-	1,897	(168,330)	(166,140)
409	125	6,249	92	(4,731)		9,753
-	-	-	-	736		736
-	-	-	-	(736)		(736)
<b>483</b>	<b>332</b>	<b>6,249</b>	<b>92</b>	<b>(2,834)</b>	<b>(168,330)</b>	<b>(156,387)</b>
<b>33,393</b>	<b>7,286</b>	<b>(20,833)</b>	<b>(13,807)</b>	<b>31,149</b>	<b>(168,330)</b>	<b>(129,848)</b>
129,831	13,330	350,355	51,722	117,015		983,641
<b>\$ 163,224</b>	<b>\$ 20,616</b>	<b>\$ 329,522</b>	<b>\$ 37,915</b>	<b>\$ 148,164</b>	<b>\$ (168,330)</b>	<b>\$ 853,793</b>



## Supplementary Schedules

### Consolidating Statement of Cash Flows - Continued

For the Year Ended June 30, 2011	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>			
<b>BY OPERATING ACTIVITIES</b>			
Operating Loss	\$ (25,716)	\$ (28,541)	\$ (228,332)
Adjustments to Reconcile Operating Loss to Net Cash (Used)			
Provided by Operating Activities:			
Depreciation Expense	3,092	3,798	39,999
Changes in Assets and Liabilities:			
Accounts Receivable	418	419	613
Notes Receivable	389	279	644
Inventories	(35)	217	86
Prepaid Expenses	43	(68)	(3,427)
Accounts Payable and Accrued Liabilities	(134)	594	12,983
Long-Term Liabilities	(5,554)	(96)	1,263
Deposits	-	(14)	79
Deferred Revenue	128	163	(15,142)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (27,369)</b>	<b>\$ (23,249)</b>	<b>\$ (191,234)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>			
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ -	\$ -	\$ -
Capital Assets Acquired by Gifts in Kind	-	75	982
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	192	37	4,835

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ (99,212)	\$ (29,363)	\$ (95,273)	\$ (28,706)	\$ (7,614)	-	\$ (542,757)
22,037	4,158	36,545	3,832	264		113,725
6,050	(701)	510	710	(440)		7,579
48	169	9,620	43	-		11,192
(20)	(68)	(341)	10	-		(151)
(97)	(18)	(1,463)	(38)	(2,591)		(7,659)
(8,001)	58	23,260	(3,072)	(1,775)		23,913
19,640	(3,242)	1,682	5,110	8,686		27,489
37	27	43	-	1		173
(1,410)	17	(5,533)	369	(34)		(21,442)
<b>\$ (60,928)</b>	<b>\$ (28,963)</b>	<b>\$ (30,950)</b>	<b>\$ (21,742)</b>	<b>\$ (3,503)</b>	-	<b>\$ (387,938)</b>

\$ -	\$ -	\$ -	18	\$ -	\$ -	18
228	106	1,683	5	-	-	3,079
322	236	3,859	10	7,018	689	17,198

## Supplementary Schedules

### Consolidating Statement of Net Assets

As of June 30, 2010	Eastern Oregon University	Oregon Institute of Technology	Oregon State 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	\$ 8,400	\$ 18,151	\$ 287,214
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	2,549	672	37,750
Debt Service	18	21	201
Unrestricted Net Assets	5,724	9,062	100,088
<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
-	-	200,000	-	907,519	(1,107,569)	-
411,324	79,088	813,358	73,440	1,727		2,126,535
480,242	86,478	1,279,626	107,183	958,821	(1,107,569)	2,766,751
\$ 601,811	\$ 106,437	\$ 1,468,866	\$ 138,018	\$ 1,436,379	\$ (1,108,095)	\$ 3,861,229
\$ 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	401,033	39,333	749,596		1,698,063
131,893	15,093	437,373	45,818	200,000	(1,107,569)	-
324,328	59,276	838,406	85,151	949,596	(1,107,569)	1,698,063
\$ 393,222	\$ 67,437	\$ 935,207	\$ 100,355	\$ 1,397,082	\$ (1,108,095)	\$ 2,447,435
\$ 119,712	\$ 20,459	\$ 366,348	\$ 10,958	\$ (46,884)		\$ 784,358
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
13,819	3,322	45,381	2,792	1,752		108,037
5	50	22	30	72,624		72,971
62,682	7,848	58,623	16,344	8,603		268,974
\$ 208,589	\$ 39,000	\$ 533,659	\$ 37,663	\$ 39,297	\$ -	\$ 1,413,794



## Supplementary Schedules

### Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

For The Year Ended June 30, 2010	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 13,407	\$ 14,089	\$ 152,581
Federal Grants and Contracts	2,058	1,616	149,670
State and Local Grants and Contracts	1,076	706	6,960
Nongovernmental Grants and Contracts	34	2,836	21,354
Educational Department Sales and Services	160	216	27,177
Auxiliary Enterprises Revenues, Net	6,201	8,245	91,873
Other Operating Revenues	617	418	5,252
<b>Total Operating Revenues</b>	<b>23,553</b>	<b>28,126</b>	<b>454,867</b>
<b>OPERATING EXPENSES</b>			
Instruction	14,721	19,552	154,394
Research	332	181	156,928
Public Service	1,814	3,079	77,866
Academic Support	5,053	4,445	40,297
Student Services	2,166	2,262	19,522
Auxiliary Programs	7,639	8,921	105,433
Institutional Support	4,898	3,816	40,470
Operation and Maintenance of Plant	3,418	2,440	23,802
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>676,234</b>
<b>Operating Loss</b>	<b>(25,851)</b>	<b>(26,630)</b>	<b>(221,367)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Appropriations	17,764	19,481	171,644
Grants	7,593	6,592	35,161
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>22,988</b>	<b>25,202</b>	<b>247,512</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
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
42,853	2,240	94,680	9,674	\$ 3,292	\$ (5,864)	300,219
3,626	985	307	1,774	1,230		16,664
11,731	1,667	991	382	153		39,148
4,866	2,452	24,545	962	51	(27)	60,402
61,021	18,213	114,371	17,119	-		317,043
5,453	21	4,816	1,274	2,540	-	20,391
<b>286,961</b>	<b>47,389</b>	<b>482,764</b>	<b>56,743</b>	<b>7,266</b>	<b>(5,891)</b>	<b>1,381,778</b>
138,484	26,744	183,121	27,066	1,202		565,284
44,755	571	78,679	7,615	-	(5,282)	283,779
8,814	2,879	33,502	297	3,518		131,769
28,571	6,497	38,390	6,807	52		130,112
13,029	4,283	25,483	5,393	-		72,138
56,119	17,897	141,991	19,020	-		357,020
22,018	3,796	54,218	4,667	12,288	(27)	146,144
25,565	3,945	26,298	3,901	-		89,369
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>79,170</b>	<b>621,881</b>	<b>84,885</b>	<b>19,255</b>	<b>(5,891)</b>	<b>1,962,712</b>
<b>(96,057)</b>	<b>(31,781)</b>	<b>(139,117)</b>	<b>(28,142)</b>	<b>(11,989)</b>	<b>-</b>	<b>(580,934)</b>
70,186	17,180	66,794	19,288	10,121		392,458
48,282	10,253	29,417	12,627	-		149,925
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>113,346</b>	<b>28,360</b>	<b>142,187</b>	<b>30,231</b>	<b>15,254</b>	<b>-</b>	<b>625,080</b>
<b>17,289</b>	<b>(3,421)</b>	<b>3,070</b>	<b>2,089</b>	<b>3,265</b>	<b>-</b>	<b>44,146</b>
6,794	3,075	6,422	2,502	2,208		36,066
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>(12,227)</b>	<b>-</b>	<b>144,323</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	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 13,723	\$ 14,716	\$ 150,567
Grants and Contracts	1,289	4,675	177,378
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>(21,895)</b>	<b>(25,802)</b>	<b>(171,871)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Appropriations	17,764	19,481	171,644
Grants	7,593	6,592	35,160
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>28,067</b>	<b>28,296</b>	<b>252,718</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Appropriations	-	-	-
Debt Service Appropriations	2,348	1,697	11,021
Capital Grants and Gifts	27	-	11,217
Capital Contributions	-	-	-
Bond Proceeds from 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>(2,124)</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
62,364	3,087	102,658	11,599	4,569	\$ (5,864)	361,755
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>(101,840)</b>	<b>(30,391)</b>	<b>(90,801)</b>	<b>(22,020)</b>	<b>35,224</b>	<b>-</b>	<b>(429,396)</b>
70,186	17,180	66,794	19,288	13,679		396,016
48,282	10,253	29,417	12,627	-		149,924
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>153,408</b>	<b>33,577</b>	<b>161,505</b>	<b>34,648</b>	<b>(42,155)</b>	<b>-</b>	<b>650,064</b>
-	-	18	-	(18)		-
6,794	3,075	6,404	2,502	(3,158)		30,683
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>(15,523)</b>	<b>-</b>	<b>(136,963)</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	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>			
<b>BY OPERATING ACTIVITIES</b>			
Operating Loss	\$ (25,851)	\$ (26,630)	\$ (221,367)
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>\$ (21,895)</b>	<b>\$ (25,802)</b>	<b>\$ (171,871)</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 Component of Investment Activity	118	22	2,310

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ (96,057)	\$ (31,781)	\$ (139,117)	\$ (28,142)	\$ (11,989)		\$ (580,934)
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>\$ (101,840)</b>	<b>\$ (30,391)</b>	<b>\$ (90,801)</b>	<b>\$ (22,020)</b>	<b>\$ 35,224</b>	<b>\$ -</b>	<b>\$ (429,396)</b>

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

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**REPORT OF INDEPENDENT AUDITORS 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, 2011 which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 31, 2011. 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**

Management of the System is responsible for establishing and maintaining effective 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.



## MOSS ADAMS<sub>LLP</sub>

### **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  
October 31, 2011

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/dept/cont-div/accounting-reporting/annualfinreport>

or

Visit the OUS home page at

<http://www.ous.edu>



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