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# OREGON UNIVERSITY SYSTEM - 2012 ANNUAL FINANCIAL REPORT

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Oregon  
University  
System

Eastern Oregon University | Oregon Institute of Technology | Oregon State University  
Portland State University | Southern Oregon University  
University of Oregon | Western Oregon University



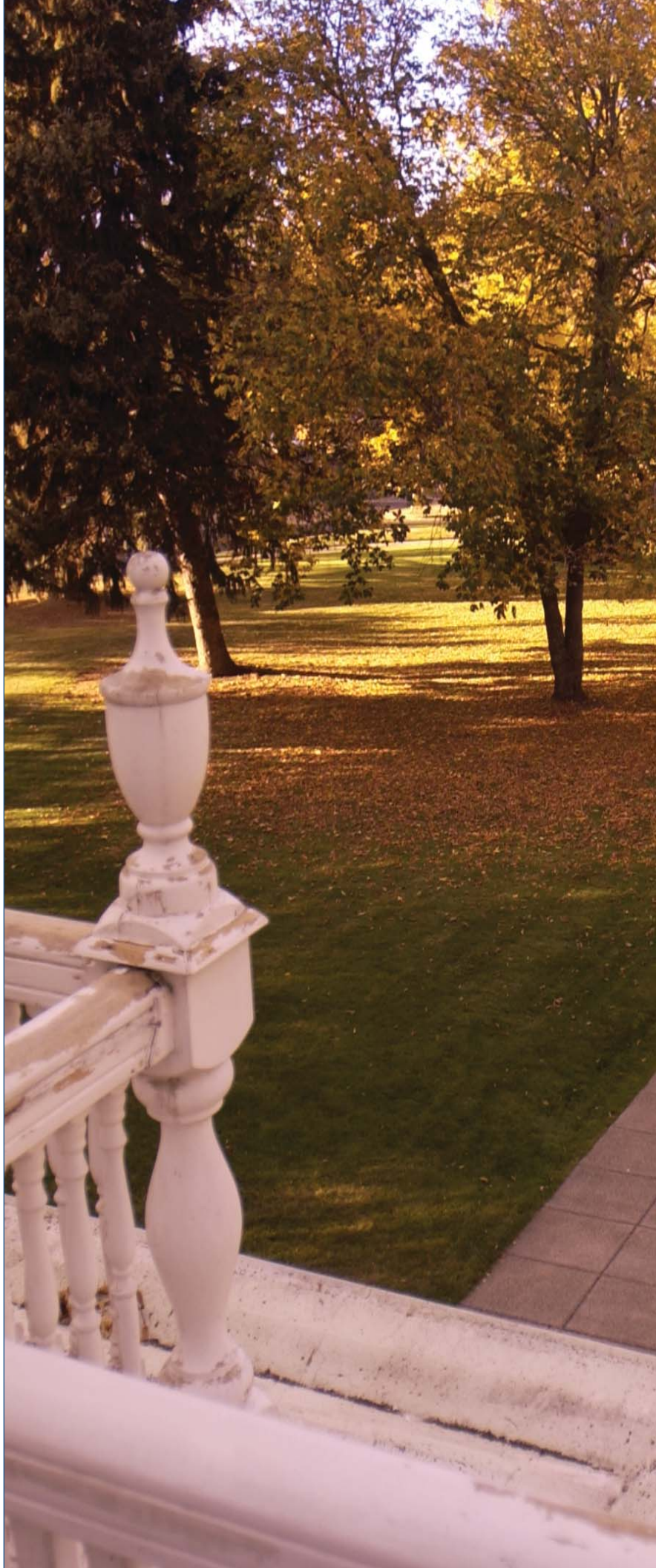
# OREGON UNIVERSITY SYSTEM 2012 ANNUAL REPORT

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## | TABLE OF CONTENTS |

|  |    |
|--|----|
| State Board of Higher Education and OUS<br>Executive Officers  | 1  |
| System Universities and University Presidents  | 2  |
| Message from the Chancellor  | 3  |
| Independent Auditor's Report   | 8  |
| Management's Discussion and Analysis   | 10 |
| Statements of Net Assets – University System   | 16 |
| Statements of Financial Position – Component Units   | 17 |
| Statements of Revenues, Expenses and Changes in<br>Net Assets – University System  | 18 |
| Statements of Activities – Component Units   | 19 |
| Statements of Cash Flows – University System   | 20 |
| Notes to the Financial Statements  | 22 |
| Supplementary Schedules  | 48 |
| Independent Auditor's Report on Internal Control<br>Over Financial Reporting and on Compliance and<br>Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with<br>Government Auditing Standards | 65 |

Cover photo, graduation— EOU;  
small cover photos from left—OIT,  
PSU, WOU, OSU, WOU







## | STATE BOARD OF HIGHER EDUCATION |

|   |             |
|---|-------------|
| <b>Matthew W. Donegan</b> , <i>Board President</i>  | Portland    |
| <b>Jill W. Eiland</b> , <i>Board Vice President</i> | Portland    |
| <b>Lynda M. Ciuffetti</b>                           | Corvallis   |
| <b>Brianna R. Coulombe</b>                          | Eugene      |
| <b>Orcilia Zúñiga Forbes</b>                        | Corvallis   |
| <b>Allyn C. Ford</b>                                | Roseburg    |
| <b>James L. Francesconi</b>                         | Portland    |
| <b>Farbodd Ganjifard</b>                            | Corvallis   |
| <b>Paul J. Kelly, Jr.</b>                           | Portland    |
| <b>James E. Middleton</b>                           | Bend        |
| <b>Emily J. Plec</b>                                | Monmouth    |
| <b>Kirk E. Schueler</b>                             | Bend        |
| <b>David V. Yaden</b>                               | Lake Oswego |

## | OREGON UNIVERSITY SYSTEM EXECUTIVE OFFICERS |

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

## | 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.

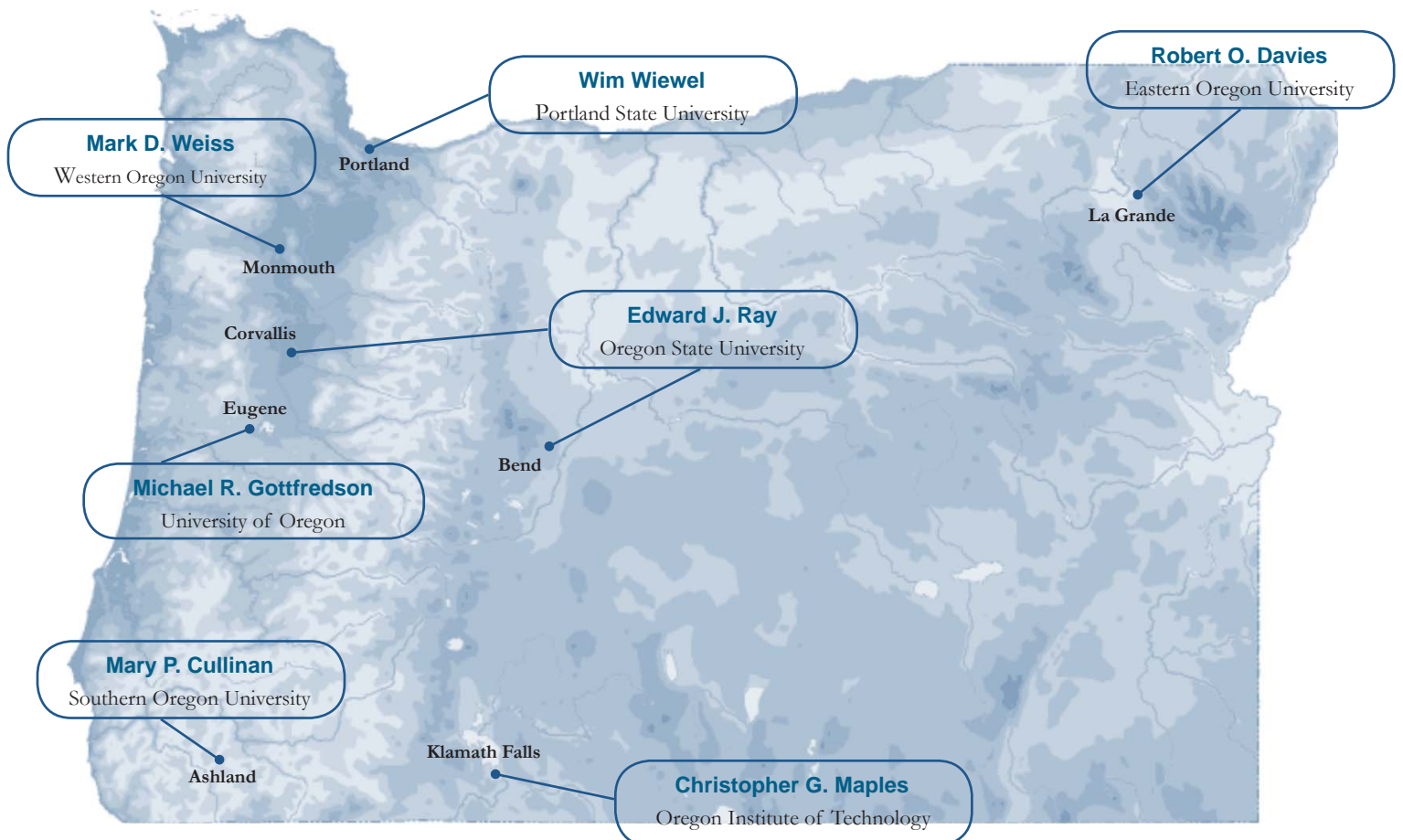
**Portland State University**—PSU, located in downtown Portland, Oregon, is an urban university founded in 1946 and offers liberal arts and sciences programs and professional programs in business, education, engineering, health, performing arts, social work, and urban and public affairs.

**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 |

The past year has been one marked by a combination of hard work, diligence, and innovation as we set about planning and implementing several major efforts in the Oregon University System:

1. Implementing the new operational freedoms and flexibilities provided by **Senate Bill 242**
2. Meeting the **40-40-20** statewide educational attainment goal
3. Developing system-wide and campus **Achievement Compacts**
4. Implementing the new **2013-2015 Budget Process**, and
5. Finalizing the State Board of Higher Education's proposal on **Governance and Institutional Boards**.

One of these efforts alone would have been enough to keep the OUS fully engaged, so effectively managing through all of these sizable efforts is a tribute to the quality and dedication of our staff, the State Board of Higher Education, and all of our universities.



Chancellor George Pernsteiner

### **Senate Bill 242: Significant Gains in Operational Control and Management**

After the extraordinary passage of Senate Bill 242 in 2011, the Oregon University System immediately began the multi-faceted process of implementing the new legal and operational authorities within the legislation. Transforming OUS from a state agency to a public university system has provided an umbrella under which it can more effectively operate, both collectively as a unified system, and individually for each of the seven campuses.

Recognizing how differently public universities are organized and operate from state agencies is a key component of Senate Bill 242. Over that last year, OUS worked very hard on all of the details of separating from the Department of Administrative Services and from the Department of Justice. This began with extensive planning to move legal services from DOJ to the OUS, and then to implementation, including developing precepts, policies, and procedures defining legal services, and hiring campus- and System Office-based attorneys to replace the services provided by the DOJ. The benefits of this transition have already included faster turnaround times for legal services; lower hourly costs; consistency in legal decision making through collaboration among the OUS institutions; and specific higher education expertise of all attorneys now working for the OUS.

Another major component of the roll out of SB 242 was developing a new risk management structure and plan in order to separate from the state agency pool so that the OUS can better control costs, and be in a pool with other similar institutions in higher education rather than the general state agency pool. This involved defining and beginning operation of a risk management office, developing specific OUS policies and procedures, and the formation of the OUS Risk Council. Even though this process has just occurred, the OUS is estimating several million dollars in savings over the first year of implementation, as well as overall greater effectiveness and control throughout the risk management process.

The third major component of SB 242 work over the last year has been the OUS' review of healthcare options and its Optional Retirement Plan. The legislation directed the OUS to convene a committee representing management and employees, both represented and unrepresented, to evaluate options for continued participation in the Public Employees' Benefit Board (PEBB), transfer of employee participation to the Oregon Educators Benefit Board (OEBB), or participation in other alternative group health and welfare insurance benefit plans. The recommendations of the committee are to be reported to the legislature prior to December 1, 2012. Over the last year, the committees working on recommendations, representative of the campus communities, have worked collectively and with the advice of external experts, to draft a set of comprehensive recommendations. The goal is to enable OUS to better meet the healthcare and retirement needs of its employees while also lowering benefits costs; and to improve the stability and performance of the Optional Retirement Plan by allowing it to operate using defined contribution plan best practices while preserving the benefits of current participants.

**Operational Accountability:** Aligned with the SB 242 work are other on-going efforts begun over the past year in the finance and administration areas that will enable the OUS to manage its operations in a proactive and diligent manner. This included an on-going analysis of Shared Services to determine the current and potential cost savings and other benefits of shared services provided by the system office or a designated campus. A major capacity planning effort was also underway over the last year and is continuing to determine both the academic program and physical capacity (facilities) at each of the OUS institutions in order to ensure adequate space for current and anticipated demand as the System works to achieve its critical 40-40-20 attainment goal (see below). Discussions are also underway to develop a five-year financial projection model for planning purposes for the System overall, and specific to each campus as a way to determine any financial, operational or academic changes needed in order to ensure strong campuses able to serve the diverse needs of our students and campus communities.

## 40-40-20: A Compact to Meet Oregon's Education and Economic Needs

In 2011, Oregon's Legislature adopted a clear and ambitious goal for the State, known as the "40-40-20", which states that by 2025 all adult Oregonians will hold a high school diploma or equivalent, 40% of them will have an associate's degree or a meaningful postsecondary certificate, and 40% will hold a bachelor's or advanced degree. Leaders across the state have been working to improve Oregon's educational attainment rates in this direction for many years, but the passage of the goal into law through Senate Bill 253 prompted a new drive for action and change. To launch OUS' effort to design an implementation strategy to meet this goal, it convened more than 300 education, business, nonprofit and policy leaders from across Oregon and the nation on November 1, 2011 for a day-long symposium, "From Goal to Reality: Achieving 40-40-20 in Oregon." The day highlighted the innovative thinking, initiatives, and challenges which are ahead of us in achieving the goal, and which can help guide Oregon's next decisions and conversations about improving educational attainment levels in the state.

A profound sense of urgency is shared by all education sectors in the state, from K-12 to community colleges and the university system, to achieve 40-40-20. The multi-faceted goal is recognized as an economic imperative, an investment in each individual's success, a means for economic mobility, and to spur civic and economic contributions to the state and its industries in a global economy. The urgency is also a demographic imperative: to make the necessary changes to expand educational attainment significantly for Oregon's growing and most underserved populations; and to protect and cultivate opportunity for all Oregonians and to invest in the broad societal benefits of quality education.

**Achievement Compacts:** The State Board of Higher Education is working across the OUS to develop a roadmap of defined steps and actions that will enable the system to reach the important 40-40-20 attainment goal. A major component of the goal are the Achievement Compacts for all education sectors, which were developed collaboratively with the Oregon Education Investment Board. The Compacts move accountability measurement from tracking inputs, such as enrollment, to examining outcomes, such as the number of degrees produced, broken down by those awarded to underrepresented minorities, to rural Oregonians, and to Oregonians overall. Not only will OUS place a primary focus in its Compact on bachelor's and advanced degrees, but will also develop joint strategies to assist the community colleges in achieving their goal of 40; as well as placing a focus on educator preparation, engagement with K-12, and enhancing the K-12 pipeline. Some of the key outcome areas besides bachelor's and advanced degrees are employer satisfaction; employment of graduates; alumni satisfaction; degrees in high need areas – such as STEM and health professions; sponsored research expenditures; degrees awarded to transfer students; and student engagement in internships and other community-based learning

opportunities. Each campus will also have specific outcome areas related to their mission and program focus.

**New Budget Process Tied to Outcomes:** A major component of the Achievement Compacts is a new way of presenting budget information, again focused on outcomes. Budgets will be tied to achievement of the Compacts, after an initial implementation period of a few years, and increases in outcomes for students. Budget proposals are reviewed by "Buying Teams" who determine the efficacy of budget proposals in each of the education sectors; and the extent to which the outcomes are aligned across the entire education continuum. While there has been much praise for the new system, it was an accelerated process and relied on an exceptional effort from the OUS staff to develop budgets in this new way, while also having to present the budget in the traditional fashion for the upcoming biennium, the latter of which will be eliminated after this biennium. Implementing new policy while retiring the old demonstrates the depth and talents of all of the employees in the System office, and is something for which we are exceptionally proud.

**Addressing Preparation and Performance:** Along with the Compacts, OUS is working on other implementation efforts that will increase performance and efficiencies in instructional delivery and outcomes. The Degree Qualifications Profile is a project that will define what associate's and bachelor's degrees mean for students and employers. This effort addresses both quality and marketability of degrees, and will help students with decreasing their time to degree and thus improving affordability. Common Core State Standards is a cross sector effort that is being implemented by Oregon and many other states, and which adopts a common set of academic standards that if achieved by students, will help ensure their preparation for and success in college. Lastly, the legislatively mandated Task Force on Higher Education Student & Institutional Success is identifying barriers to student success, and effective practices to reduce/eliminate these. The cross sector group is gathering input from statewide stakeholders, and making recommendations for funding models to further increase student success.

## Governance in the OUS: Keeping "System-ness" in the System

There is a movement in higher education in Oregon and other states to allow for some campuses to establish institutional boards to handle certain strategic, academic and operational decisions, rather than these authorities being assigned to a statewide board. To determine the viability of allowing some campuses in the OUS to do this, the State Board of Higher Education worked over the last year to comprehensively consider this issue. The Board consulted extensively with national experts in higher education and state systems, with university presidents, with students and other campus community members, with policy makers, and with leaders in business and other sectors.

## | TOP CAMPUS ACCOMPLISHMENTS |

At the end of the study period, the Board developed a detailed proposal on the authorities that an institutional board would have, what would be shared between the State Board and campus-based board, and what would remain with the State Board. The proposal was presented to the Special Committee on University Governance convened by the Legislature and they are using the Board's proposal and its components to help guide their final legislative concept to the full Legislature in late 2012. At this juncture there are two campuses who have expressed interest in establishing institutional boards. They feel that this type of board would enable them to increase fundraising capacity, and to move more quickly on a variety of academic and operational decisions. The challenge for the state at this time is to ensure that the implementation of institutional boards, should this occur, would not diminish in any way the achievement of statewide goals, nor negatively impact the campuses who do not establish institutional boards.

### Embracing Reform

It is a very exciting time for all of education in Oregon. Through the implementation of the Achievement Compacts, the drive towards the 40-40-20 goal, and the need to control costs in order to ensure affordability and access, the OUS is part of a reform movement that will ensure greater levels of student success. As President John F. Kennedy said, "Change is the law of life. And those who look only to the past or present are certain to miss the future." Our future in Oregon relies on today's students of all ages and all backgrounds to have access to a high quality, high value higher education that has solid connections to K-12 and community colleges. This is our target. This is our mission. This is our future.



George Pernsteiner

Chancellor



Cascades Hall - OSU Cascades Campus



- A new collaboration called Eastern Promise was launched to create more early college experiences for students in Eastern Oregon. It is guided by EOU in conjunction with the Inter-Mountain Education Service District, Blue Mountain and Treasure Valley community colleges.
- Associate professor of business Ted Takamura was recognized for his contributions to student learning with the 2012 Excellence in Teaching Award from the International Assembly for Collegiate Business Education.
- EOU's literary publication "basalt" won an Oregon Literary Fellowship grant for its two most recent issues featuring the photography of Terry Toedtemeier with an accompanying essay by James Lavadour, and a memorial edition honoring EOU faculty member Kathelene Galloway.
- The Learning Center celebrated 25 years assisting students through Disability Services, the Writing Center, Online Writing Lab, individual tutoring, group study sessions and labs.
- An endorsement in agriculture science and technology was added to the Master of Arts in Teaching program as an option for OSU students to complete their graduate degree in La Grande.



- OTT and Klamath Community College (KCC) formed a new partnership to allow current students who began their educational careers at KCC to be awarded degrees from the community college for work completed at Oregon Tech. Known as a "reverse transfer," the initiative is new for Oregon universities and community colleges, and this agreement will serve as the "beta" test for other institutions across the state.
- Oregon Tech introduced a new Bachelor of Applied Science (BAS) in its Technology and Management degree program. It is designed for students who have earned an Associate of Science (AS) or Associate of Applied Science (AAS) in a vocational or technical career field and want to obtain a bachelor degree for career enhancement. Students who pursue the BAS complete a broad general education core plus advanced courses in business, management, accounting,



## | TOP CAMPUS ACCOMPLISHMENTS —CONTINUED |

and information technology designed to complement their associate-level technology courses.

- Oregon Tech Civil Engineering faculty member Charles “C.J.” Riley, Ph.D. was awarded the 2012 American Society of Civil Engineering ExCEED New Faculty Excellence in Teaching Award. Representatives from ASCE commented that they were particularly impressed with Riley’s outstanding teaching record as a new faculty member, his contributions to the academic and surrounding community, and his proven commitment to education.
- Oregon Tech Men’s Basketball Team earned the 2012 NAIA Division II National Championship in March. The team was ranked number two and defeated top-ranked Northwood University, Florida. Oregon Tech has earned three national titles over the years and is tied with Bethel, Indiana for most national titles earned in the NAIA Division II. The 34 victories in 2012 is a new school record for wins in a season.
- Oregon Tech earned the number eight spot among baccalaureate colleges in the western region in the 2012 US News & World Report “Best of Colleges” edition, and placed among the top 60 engineering bachelors and masters universities in the nation. It ranked among the best schools in the nation on the Forbes “Top Colleges” list. And Bloomberg Businessweek ranked Oregon Tech third in Oregon for return on investment.



- The Campaign for OSU, having easily surpassed its initial goal of \$625 million and a secondary goal of \$850 million, in March 2012 set a new goal of raising \$1 billion to benefit students, faculty and academic programs at the university. To date, the Campaign has raised more than \$851 million, and \$141 million in scholarships, fellowships and student awards.
- OSU faculty and researchers in 2011-12 generated the second highest total of research dollars in the university’s history. Led by a 42 percent increase in grants from the private sector, Oregon State generated \$281 million during the past year.
- First Lady Michelle Obama gave the annual commencement address in Reser Stadium on June 17, 2012, drawing a crowd of more than 30,000 people. The 2012 Commencement exercise featured Oregon State’s largest ever graduating class -- nearly 5,000 students.
- Oregon State is increasingly a destination for excellence for tenure track faculty and high-achieving students. In 2011-

12, OSU hired 83 new tenure track faculty from prestigious universities across the world. Of this year’s entering freshman class, 39 percent have a GPA of 3.75 or higher; 170 were ranked No. 1 in their high school graduating class; 13 were National Merit Award winners; and 73 are Presidential Scholar Award recipients.

- Enrollment continues to set new records every year at Oregon State. Nearly 22,000 students were enrolled at the main campus for Fall Term 2011. A total of just more than 26,000 students are expected to enroll for Fall Term 2012 at Oregon State’s Corvallis campus, at OSU-Cascades and through Oregon State’s E-campus on-line academic classes.



- PSU awarded more than 6,400 degrees and certificates in 2011-12 year (and 5,700 in 2010-11)—the most in the history of Oregon.
- Portland State University was featured in The Princeton Review’s “The Best 376 Colleges: 2012 Edition” and “2012 Guide to 322 Green Colleges,” as well as U.S. News & World Report’s “2012 America’s Best Colleges” and “2012 Best Graduate Schools,” which noted PSU’s ethnic and economic diversity, its student success programs and its freshman retention rate.
- PSU’s School of Business Administration also got special notice this year, with its MBA program being ranked 14th on a list of the top-100 graduate business programs in the world and first among programs with fewer than 100 students by The Aspen Institute’s Beyond Grey Pinstripes list.
- Already the state’s most ethnically diverse campus, PSU welcomed a nearly 25 percent increase in Latino students and its largest ever number of international students (1,800) in 2011-12. Portland State educates the most low-income students, first-generation students, military veterans, and the largest number of older, non-traditional students of any of the seven OUS institutions.
- PSU had a milestone year of fundraising and research success in 2011-12. The university received more than \$19.7 million in gifts, a 12 percent increase over the previous year and a 37 percent increase since 2010. Research expenditures also grew to an estimated \$67.4 million, up from \$64.8 million in 2010-11 and \$58.2 million in 2009-10.



## | TOP CAMPUS ACCOMPLISHMENTS —CONTINUED |



- SOU set another enrollment record with 6,744 headcount for Fall 2011, a 4.7% increase over the previous year and a 26% leap in just two years.
- The Corporation for National and Community Service named Southern Oregon University to the President's Higher Education Community Service Honor Roll for the fifth year in a row.
- SOU broke ground on a new, \$40 million student housing neighborhood. The three-building complex will be the most energy efficient structures on campus, and opens in Fall 2013.
- The Princeton Review named SOU to its "Guide to 322 Green Colleges" and the Sierra Club ranked SOU #38 on its "Cool School" list.
- SOU received its third \$1 million grant from the Bernard Osher Foundation since 2009. The latest grant is an endowment for reentry student scholarships.



UNIVERSITY OF OREGON

- The 2011-12 freshman class at the University of Oregon entered with the highest grade point average and the most diversity in the history of the UO. The incoming students had an average grade point average of 3.59, and more than 23 percent were students of color.
- For the fifth year running, the UO exceeded \$100 million in private gifts. This included a \$5 million gift from Mary Corrigan Solari ('46) and her late husband Richard Solari, which will help at least 250 Oregonians from middle-income families attend college.
- The UO graduated its first cohort of PathwayOregon students, a program initiated in 2008 that ensures low-income Oregonians who are academically qualified will have their UO tuition and fees paid with a combination of federal, state and university funds. Forty-four percent of Pathway students are first-generation members of their families to attend college.
- Faculty awards in the academic year included four Fulbright scholars; six who were named fellows to the national organizations for their fields; one who was among just 15

nationwide chosen as a Searle scholar; and another who was selected by the National Academy of Science as the 2012 winner of the John J. Carty Award for the Advancement of Science.

- The university hosted the 2012 Olympic Track and Field Trials at Hayward Field, with an economic impact to the local economy estimated at more than \$30 million.



- The university began construction on the DeVolder Family Science Center, which will provide modern facilities for chemistry and human anatomy and physiology. Upon completion, space vacated in the current science building will be able to be repurposed for expanded use by biology and earth and physical sciences departments—teaching labs, student/faculty research labs, and will open in fall 2013.
- WOU was the lead partner in a \$1.9 million U.S. Department of Education federal grant called Project SPELL. This project, directed by Dr. Maria Dantas Whitney, provides training for up to 250 teachers (both in-service and pre-service teachers) from the Salem/Keizer and Woodburn school districts who will in turn impact close to 20 percent of Oregon's English Language Learners.
- For the fifth consecutive year, WOU received recognitions from the National Academic Advising Association. Dr. Steve Taylor, professor of geology and chair of the Natural Sciences and Mathematics Division, was selected as an Outstanding Advising Certificate of Merit recipient in the Faculty Academic Advising category.
- This year WOU launched a new Master's of Interpreting Studies graduate program for interpreters and interpreter educators advanced scholarship that advances the standards and leadership of the interpreting profession. The program has attracted students from Maryland, New York, Iowa, Ohio, Arizona, and California who have enrolled in the program, which offers both face to face and online coursework.
- The Center on Brain Injury Research and Training within the Teaching Research Institute at WOU was awarded a \$600,000 grant from the National Institute of Disability and Rehabilitation Research. The grant, funded from 2012-2015, is for a field-initiated project to develop and evaluate the efficacy of an interactive, web-based information and training program to improve transition outcomes for students with traumatic brain injury.



## Independent Auditors' Report

Members of the Oregon Board of Higher Education:

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Oregon University System (the System), as of and for the year ended June 30, 2012, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the 2012 financial statements of the discretely presented component units, which represent 100% of the total assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for the discretely present component units, are based on the reports of the other auditors. The financial statements of the System as of and for the year ended June 30, 2011, were audited by other auditors whose report dated October 31, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Oregon University System as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2012 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The 2012 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. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2011 supplementary information, as listed in the table of contents, was subjected to the auditing procedures applied in the 2011 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2011 basic financial statements as a whole.

*CliftonLarsonAllen LLP*

Austin, Minnesota  
October 31, 2012

**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**For the Year Ended June 30, 2012 (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, 2012, 2011 and 2010. OUS is comprised of the following four-year public universities and the Chancellor's Office:

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   | 2012   | 2011   | 2010   | 2009   | 2008   |
|--------------|--------|--------|--------|--------|--------|
| EOU          | 3,138  | 3,080  | 2,870  | 2,550  | 2,435  |
| OIT          | 2,743  | 2,674  | 2,686  | 2,490  | 2,350  |
| OSU          | 24,040 | 22,969 | 21,266 | 19,536 | 18,963 |
| PSU          | 22,403 | 22,601 | 22,124 | 20,764 | 19,213 |
| SOU          | 4,875  | 4,703  | 4,472  | 4,373  | 4,213  |
| UO           | 24,543 | 23,716 | 22,635 | 21,679 | 20,361 |
| WOU          | 5,257  | 5,214  | 4,891  | 4,571  | 4,384  |
| Total System | 86,999 | 84,957 | 80,944 | 75,963 | 71,919 |

## 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.

**Independent Auditor's Report** presents an unqualified opinion rendered by an independent certified public accounting firm, CliftonLarsonAllen 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 back cover of this report. The fiscal year 2012 presentation has resulted in reclassifications to the fiscal year 2011 and 2010 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:

### Condensed Statement of Net Assets

| As of June 30,              | 2012     | 2011     | 2010     |
|-----------------------------|----------|----------|----------|
| Current Assets              | \$ 606   | \$ 914   | \$ 1,094 |
| Noncurrent Assets           | 717      | 809      | 640      |
| Capital Assets, Net         | 2,630    | 2,473    | 2,127    |
| Total Assets                | \$ 3,953 | \$ 4,196 | \$ 3,861 |
| Current Liabilities         | \$ 503   | \$ 698   | \$ 749   |
| Noncurrent Liabilities      | 1,885    | 1,944    | 1,698    |
| Total Liabilities           | \$ 2,388 | \$ 2,642 | \$ 2,447 |
| Invested in Capital Assets, |          |          |          |
| Net of Related Debt         | \$ 928   | \$ 834   | \$ 784   |
| Restricted - Nonexpendable  | 17       | 16       | 16       |
| Restricted - Expendable     | 274      | 355      | 345      |
| Unrestricted                | 346      | 349      | 269      |
| Total Net Assets            | \$ 1,565 | \$ 1,554 | \$ 1,414 |



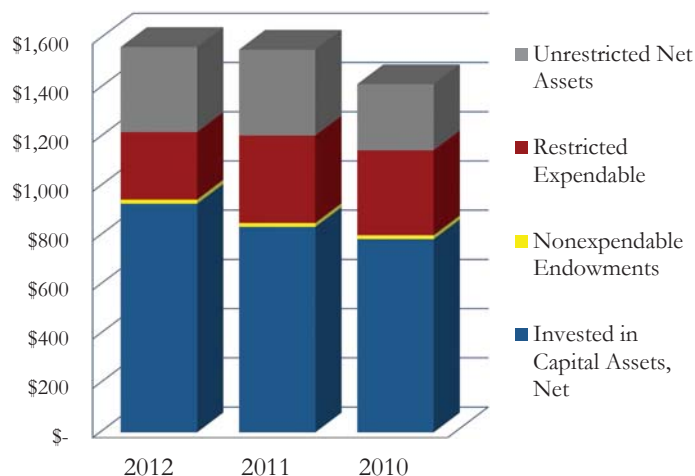
## | MANAGEMENT'S DISCUSSION AND ANALYSIS |

### For the Year Ended June 30, 2012 (dollars in millions)

### Total Net Assets

Changes to Total Assets reflected a smaller decrease than changes to Total Liabilities which caused Total Net Assets to increase \$11 million or 1% during 2012 compared to a \$140 million increase in 2011. As illustrated by the following graph, the make-up of net assets changed between 2012, 2011 and 2010.

### Net Assets



- **Net Assets Invested in Capital Assets, Net of Related Debt** increased \$94 million. Capital asset increases of \$268 million were offset by a \$111 million increase to accumulated depreciation and a \$63 million increase to long-term debt attributable to the capital assets.
- **Restricted Expendable Net Assets** decreased by \$81 million in 2012. Net assets relating to funds reserved for debt service decreased by \$34 million mainly because OUS no longer requires universities to pre-fund bonded debt payments. Net assets relating to the funding of capital projects declined by \$39 million as 2012 saw the completion of several construction projects and very small debt issuances.
- **Unrestricted Net Assets** decreased \$3 million. Declines in state appropriations and growth in operating expenses slightly outpaced the growth in operating revenues.

### Total Assets and Liabilities

Total Assets decreased \$243 million, or 6%, and Total Liabilities decreased \$254 million, or 10% during the year ended 2012.

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 decreased by \$48 million or 1% and Total Liabilities decreased by \$58 million or 2%. Current assets exceed current obligations.

- **Current Assets** decreased \$113 million, or 17%. Because of changing investment strategies, \$109 million was moved from cash equivalents to intermediate and long-term investments. Cash also declined \$39 million in support of operations and was partially offset by an additional \$20 million moving from noncurrent cash for the payment of debt in the next fiscal year. Accounts receivable increased \$14 million mainly relating to growth in student tuition and fee activities, and construction activities. See "Note 3. Accounts Receivable" for information relating to the receivable change.
- **Noncurrent Assets** decreased \$92 million, or 11%. Year-end cash balances in capital construction funds, debt service reserve funds and agency funds decreased \$192 million compared to the prior year because of reduced borrowing activity throughout the year and because OUS no longer requires universities to pre-fund bonded debt payments. Investments increased \$110 million mainly relating to the investment strategy mentioned above in "Current Assets". Notes receivable decreased \$10 million because of the \$4 million repayment on the note with Oregon Health Sciences University, \$4 million in Federal student loan receivables and \$2 million related to a terminated institutional student loan program.
- **Capital Assets, Net** increased \$157 million, or 6%. Capitalized acquisitions net of disposals and adjustments included \$240 million in real property and \$28 million in personal property. Accumulated depreciation increased by \$111 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Current Liabilities** increased \$1 million, or less than 1%. Lower construction related liabilities due to completed construction projects were offset by higher compensation accruals due to the timing of payroll benefit payments.
- **Noncurrent Liabilities** decreased \$59 million, or 3%, mainly due to debt repayments outpacing debt issuances. Refer to "Debt Administration" later in this MD&A for additional information.

### 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:

**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**For the Year Ended June 30, 2012 (dollars in millions)**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

| For the Year Ended June 30,               | 2012     | 2011     | 2010     |
|---|----------|----------|----------|
| Operating Revenues                        | \$ 1,658 | \$ 1,553 | \$ 1,378 |
| Operating Expenses                        | 2,250    | 2,104    | 1,963    |
| Operating Loss                            | (592)    | (551)    | (585)    |
| Nonoperating Revenues,<br>Net of Expenses | 520      | 608      | 629      |
| Other Revenues                            | 83       | 83       | 145      |
| Increase in Net Assets                    | 11       | 140      | 189      |
| Net Assets, Beginning of Year             | 1,554    | 1,414    | 1,225    |
| Net Assets, End of Year                   | \$ 1,565 | \$ 1,554 | \$ 1,414 |

Net Assets increased by \$11 million or 1% in 2012 compared to an increase of \$140 million in 2011.

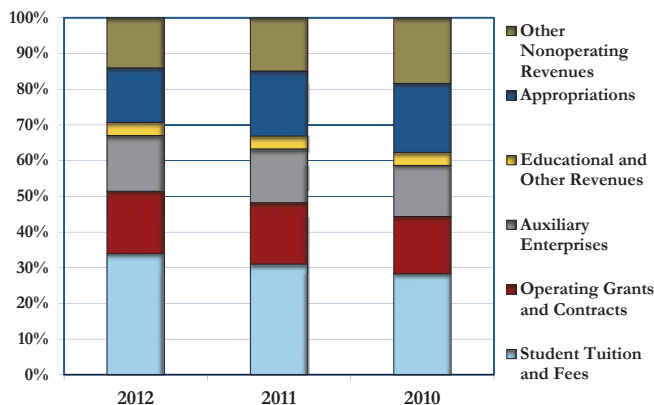
**Revenues**

Revenues increased \$21 million, or 1%, in 2012 over the prior year.

**Total Operating and Nonoperating Revenues**

| For the Year Ended June 30, | 2012     | 2011     | 2010     |
|-----------------------------|----------|----------|----------|
| Student Tuition and Fees    | \$ 795   | \$ 720   | \$ 628   |
| Grants and Contracts        | 409      | 399      | 356      |
| Auxiliary Enterprises       | 366      | 349      | 317      |
| Educational and Other       | 88       | 85       | 77       |
| Total Operating Revenues    | 1,658    | 1,553    | 1,378    |
| Appropriations              | 357      | 423      | 429      |
| Grants                      | 168      | 153      | 150      |
| Investment Activity         | 31       | 31       | 24       |
| Capital Grants and Gifts    | 34       | 47       | 108      |
| Other Nonoperating Items    | 95       | 115      | 129      |
| Total Nonoperating Revenues | 685      | 769      | 840      |
| Total Revenues              | \$ 2,343 | \$ 2,322 | \$ 2,218 |

**Total Operating and Nonoperating Revenues**



**Operating Revenues**

Operating revenues increased \$105 million in 2012, or 7% over 2011, to \$1.7 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 \$75 million, or 10%, in 2012 compared to 2011.

- Higher tuition and fee rates accounted for \$75 million of the increase.
- Fee remissions and scholarship allowances reduced tuition and fees by \$23 million more than in the prior period.
- Increased enrollment added \$22 million in tuition and fees.

**Federal, State and Nongovernmental Grants and Contracts** increased \$10 million, or 3%, in 2012 compared to 2011.

- Federal grant and contract revenues were higher during 2012 when compared to the prior year by \$8 million relating to increased research and development grants and contracts, and other grants and contracts.
- State grant activity increased by \$6 million.
- Nongovernmental grant activity decreased \$4 million.

**Auxiliary Enterprises** revenues increased \$17 million, or 5%, compared to the prior year.

- Student Health and Incidental Fee revenue increased \$7 million due to increased rates and enrollment.
- Housing and Dining revenues increased by \$5 million in 2012 related mainly to increased rates and student occupancy.
- Athletics revenues increased by \$5 million mainly due to the growth in revenues from television broadcasting rights.

**Educational and Other Revenues** increased \$3 million, or 4%, between 2011 and 2012.

**Nonoperating Revenues**

The decrease in Nonoperating Revenues of \$84 million during 2012 can be directly tied to the decrease in Government Appropriations and Other Nonoperating Items. This was partially offset by an increase in revenues from Grants, and Capital and Debt Service Appropriations.

**Government, Capital and Debt Service Appropriations** decreased \$66 million, or 16%. State appropriations for OUS operations were reduced by \$77 million or 21% due to lower funding received from the State of Oregon and the end of the State Fiscal Stabilization Funds in 2011. This decline was partially offset by increased debt service appropriations because of a return of debt service in 2011 and higher levels of debt service in 2012. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.



**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**For the Year Ended June 30, 2012 (dollars in millions)**

**Grants** increased \$15 million in 2012 due largely to increased Oregon Opportunity Grants and Pell grants.

**Investment Activity** revenues remained constant for 2012. Declines in net appreciation of \$11 million were offset by increased interest income of \$4 million and royalties of \$4 million. Interest income increased due to changes in legislation allowing OUS to keep all the interest earned on its balances deposited with the State Treasury. See "Note 10. Investment Activity" for additional information relating to these changes.

**Capital Grants and Gifts** decreased \$13 million in 2012 due to lower gift revenues than 2011.

**Other Nonoperating Items** decreased \$20 million in 2012.

- During 2012, a portion of a building, valued at \$10 million, was transferred out of capital assets.
- Debt reserves totalling \$4 million were transferred to the State of Oregon.

**Expenses**

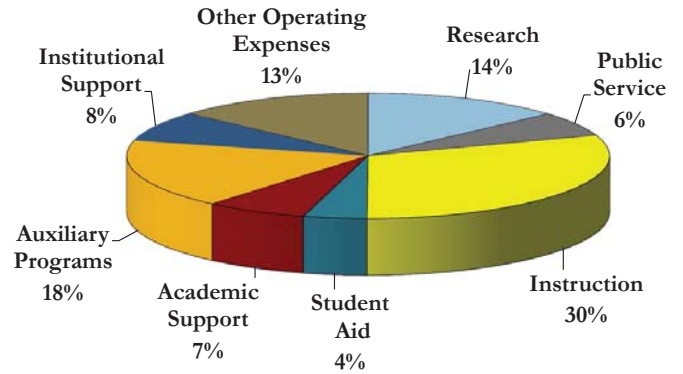
**Operating Expenses**

Operating expenses increased \$146 million in 2012, or 7%, over 2011, to \$2.3 billion. This increase resulted from higher expenses in most categories. The following summarizes operating expenses by functional classification:

**Operating Expenses by Function**

| For the Year Ended June 30,     | 2012            | 2011            | 2010            |
|---------------------------------|-----------------|-----------------|-----------------|
| Instruction                     | \$ 683          | \$ 626          | \$ 565          |
| Auxiliary Programs              | 399             | 366             | 357             |
| Research                        | 301             | 297             | 284             |
| Institutional Support           | 176             | 163             | 146             |
| Academic Support                | 154             | 143             | 130             |
| Public Service                  | 143             | 142             | 132             |
| Student Aid                     | 95              | 95              | 91              |
| Other Operating Expenses        | 299             | 272             | 258             |
| <b>Total Operating Expenses</b> | <b>\$ 2,250</b> | <b>\$ 2,104</b> | <b>\$ 1,963</b> |

**2012 Operating Expenses by Function**



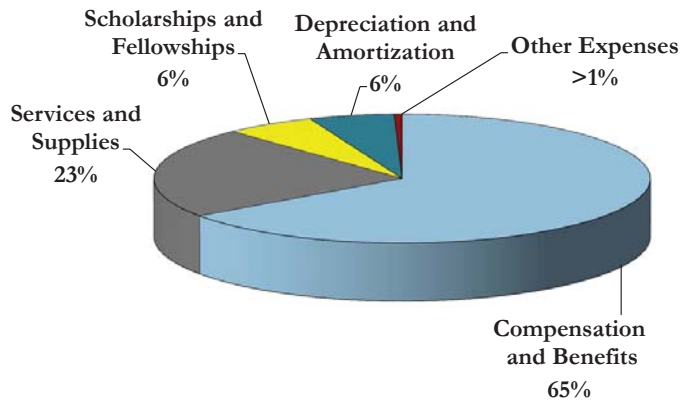
Due to the way in which expenses are incurred by OUS, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

**Operating Expenses by Nature**

| For the Year Ended June 30,     | 2012            | 2011            | 2010            |
|---------------------------------|-----------------|-----------------|-----------------|
| Compensation and Benefits       | \$ 1,466        | \$ 1,357        | \$ 1,277        |
| Services and Supplies           | 515             | 502             | 457             |
| Scholarships and Fellowships    | 132             | 128             | 121             |
| Depreciation and Amortization   | 125             | 114             | 103             |
| Other Expenses                  | 12              | 3               | 5               |
| <b>Total Operating Expenses</b> | <b>\$ 2,250</b> | <b>\$ 2,104</b> | <b>\$ 1,963</b> |

**2012 Operating Expenses by Nature**



## | Management's Discussion and Analysis |

For the Year Ended June 30, 2012 (dollars in millions)

**Compensation and Benefits** costs increased \$109 million, or 8%, in 2012 compared to 2011 due to:

- Retirement costs (\$36 million) and health insurance costs (\$6 million or 3%).
- Additional staff needed to support increased student enrollment (approximately \$29 million).
- Higher wage costs attributed to salary and wage increases (approximately \$27 million).
- Fee remissions for graduate students (\$11 million).

**Services and Supplies** expense increased \$13 million, or 3%, during 2012. This increase was seen across almost all categories including utilities, subcontractors, maintenance and repairs, and conferences. This was partially offset by lower assessments, miscellaneous services and supplies, rentals, and subscriptions.

**Scholarships and Fellowships** costs increased \$4 million, or 3%, when comparing 2012 and 2011. This net increase mainly corresponds to the revenue increases in the Oregon Opportunity Grants of \$15 million and Pell grants of \$6 million previously mentioned. This was partially offset because of larger scholarship allowances of \$13 million.

**Depreciation and Amortization** expense increased \$11 million during 2012 primarily relating to depreciation starting on recently constructed or refurbished buildings.

### Nonoperating Expenses

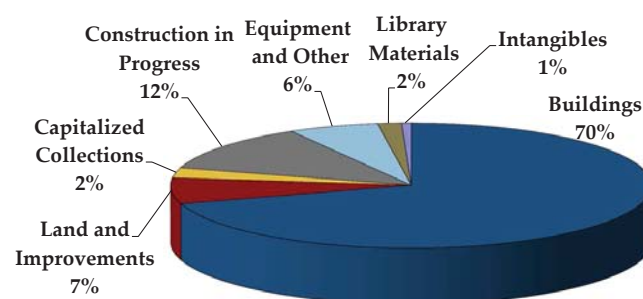
**Interest Expense** increased by \$6 million, or 8%, due to 2011 debt issuances being outstanding for the full year during 2012. See "Capital Assets and Related Financing Activities," below, and "Note 8. Long-term Liabilities" for information relating to this variance.

## Capital Assets and Related Financing Activities

### Capital Assets

At June 30, 2012, OUS had \$4.2 billion in capital assets, less accumulated depreciation of \$1.6 billion, for net capital assets of \$2.6 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 to minimize OUS's deferred maintenance backlog. State, Federal, private, debt, and internal OUS funding were all used to accomplish OUS's capital objectives.

### 2012 Capital Assets, Net - \$2.6 Billion



### Changes to Capital Assets

|   | 2012            | 2011            | 2010            |
|---|-----------------|-----------------|-----------------|
| Capital Assets, Beginning of Year             | \$ 3,967        | \$ 3,515        | \$ 3,045        |
| Add: Purchases/Construction                   | 297             | 466             | 457             |
| Less: Retirements/Disposals/Adjustments       | (29)            | (14)            | 13              |
| <b>Total Capital Assets, End of Year</b>      | <b>4,235</b>    | <b>3,967</b>    | <b>3,515</b>    |
| Accum. Depreciation, Beginning of Year        | (1,494)         | (1,388)         | (1,281)         |
| Add: Depreciation Expense                     | (125)           | (114)           | (103)           |
| Less: Retirements/Disposals/Adjustments       | 14              | 8               | (4)             |
| <b>Total Accum. Depreciation, End of Year</b> | <b>(1,605)</b>  | <b>(1,494)</b>  | <b>(1,388)</b>  |
| <b>Total Capital Assets, Net, End of Year</b> | <b>\$ 2,630</b> | <b>\$ 2,473</b> | <b>\$ 2,127</b> |

Capital additions totaled \$297 million for 2012, \$466 million for 2011 and \$457 million for 2010.

Accumulated depreciation at June 30, 2012 increased \$111 million, which represented \$125 million in depreciation and amortization expense offset by \$14 million in asset retirements. Depreciation expense was \$125 million during 2012 compared to \$114 million during 2011.

### 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 \$211 million as of June 30, 2012. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

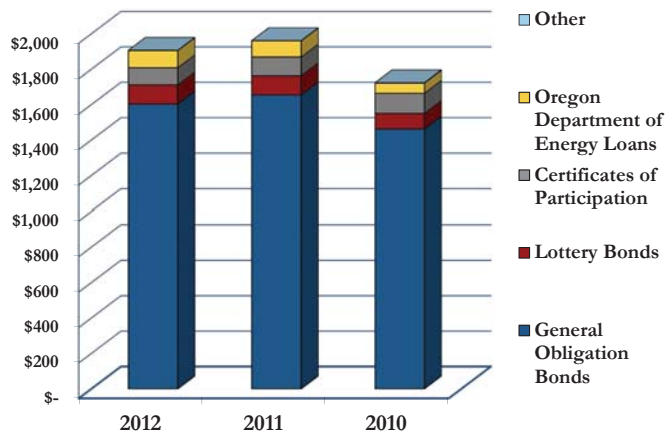
### Debt Administration

During 2012 and 2011, OUS issued debt totaling \$4 million and \$249 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets. The remainder of debt issued was the result of refundings. Fiscal year 2012 saw many large construction projects completed and be placed into service. During 2012 and 2011, 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.

## | MANAGEMENT'S DISCUSSION AND ANALYSIS |

### For the Year Ended June 30, 2012 (dollars in millions)

### Long-term Debt



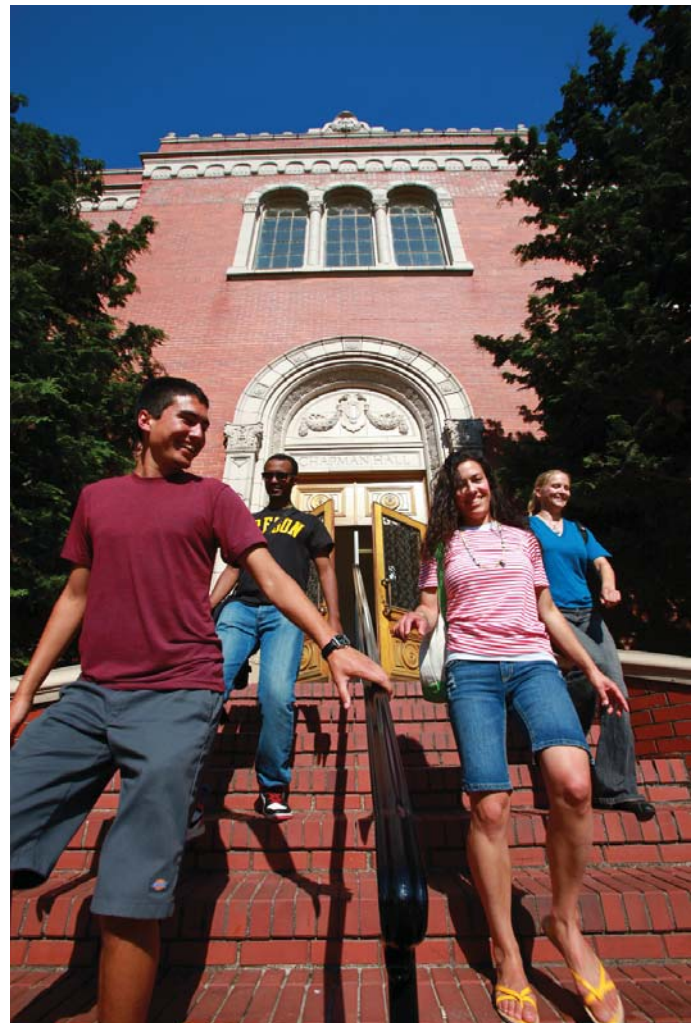
balancing lower levels of state funding per student and Oregon's decreasing per capita income against increasing tuition and fees paid by students. The Board and management remain committed to solving this challenge and ensuring the long-term health of OUS and supporting the core mission of access, affordability, excellence, and economic development.

### 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; state, 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 continues to reduce its support to state universities, and the primary operating costs of OUS, the costs of compensation and benefits, continue to increase at a rate higher than general inflation. This condition has caused OUS to find operating efficiencies to lower costs, look to build enrollments of out-of-state and international students who pay a premium tuition rate, and increase tuition rates for all students. At the same time, OUS institutions have experienced significant enrollment growth, which puts additional pressure on OUS institutions to find ways to meet the increased demand. 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, increasing costs, limits on tuition and fees, and enrollment growth, all of our institutions, and particularly our regional campuses, are operating in a financially challenging environment.

In order to address some of these challenges, the 2011 Legislature enacted legislation which gave OUS broader authority over its own affairs. Key provisions include: exemption from state limitation (spending authority), and authority to issue revenue bonds, handle its own legal affairs and risk management, review employee benefit plan structures, and retain all interest earned (historically, an average 38% was given back to the State). Full implementation of these provisions will address cost and efficiency issues faced by OUS. Despite this important piece of legislation, the biggest challenge in the future continues to be



Students - UO



## | STATEMENTS OF NET ASSETS |

| As of June 30,   | University System   |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
|  | (In thousands)      |                     |
| <b>ASSETS</b>  |                     |                     |
| <b>Current Assets</b>                                    |                     |                     |
| Cash and Cash Equivalents (Note 2)                       | \$ 268,040          | \$ 395,755          |
| Collateral from Securities Lending (Note 2)              | 58,388              | 253,626             |
| Accounts Receivable, Net (Note 3)                        | 208,170             | 194,174             |
| Accounts Receivable from Component Units                 | 18,187              | 22,095              |
| Notes Receivable, Net (Note 4)                           | 19,381              | 16,753              |
| Inventories  | 7,606               | 7,033               |
| Prepaid Expenses   | 25,675              | 24,413              |
| <b>Total Current Assets</b>                              | <b>605,447</b>      | <b>913,849</b>      |
| <b>Noncurrent Assets</b>                                 |                     |                     |
| Cash and Cash Equivalents (Note 2)                       | 265,769             | 458,038             |
| Investments (Note 2)                                     | 357,894             | 248,097             |
| Notes Receivable, Net (Note 4)                           | 93,627              | 103,344             |
| Capital Assets, Net of Accumulated Depreciation (Note 5) | 2,630,338           | 2,473,203           |
| <b>Total Noncurrent Assets</b>                           | <b>3,347,628</b>    | <b>3,282,682</b>    |
| <b>Total Assets</b>                                      | <b>\$ 3,953,075</b> | <b>\$ 4,196,531</b> |
| <b>LIABILITIES</b>                                       |                     |                     |
| <b>Current Liabilities</b>                               |                     |                     |
| Accounts Payable and Accrued Liabilities (Note 6)        | \$ 179,927          | \$ 177,377          |
| Deposits   | 16,447              | 18,429              |
| Obligations Under Securities Lending (Note 2)            | 58,388              | 253,626             |
| Current Portion of Long-Term Liabilities (Note 8)        | 127,354             | 126,234             |
| Unearned Revenue   | 121,389             | 122,269             |
| <b>Total Current Liabilities</b>                         | <b>503,505</b>      | <b>697,935</b>      |
| <b>Noncurrent Liabilities</b>                            |                     |                     |
| Long-Term Liabilities (Note 8)                           | 1,884,936           | 1,944,183           |
| <b>Total Noncurrent Liabilities</b>                      | <b>1,884,936</b>    | <b>1,944,183</b>    |
| <b>Total Liabilities</b>                                 | <b>\$ 2,388,441</b> | <b>\$ 2,642,118</b> |
| <b>NET ASSETS</b>  |                     |                     |
| Invested in Capital Assets, Net of Related Debt          | \$ 927,735          | \$ 833,522          |
| Restricted For:  |                     |                     |
| Nonexpendable Endowments                                 | 16,546              | 16,387              |
| Expendable:  |                     |                     |
| Gifts, Grants and Contracts                              | 76,195              | 83,443              |
| Student Loans  | 83,274              | 84,159              |
| Capital Projects   | 61,999              | 100,632             |
| Debt Service   | 53,119              | 87,314              |
| Unrestricted Net Assets (Note 9)                         | 345,766             | 348,956             |
| <b>Total Net Assets</b>                                  | <b>\$ 1,564,634</b> | <b>\$ 1,554,413</b> |

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

## | STATEMENTS OF FINANCIAL POSITION |

| As of June 30,  | Component Units     |                     |
|---|---------------------|---------------------|
|   | 2012                | 2011                |
|   | (In thousands)      |                     |
| <b>ASSETS</b>   |                     |                     |
| Cash and Cash Equivalents                                 | \$ 31,493           | \$ 37,861           |
| Contributions, Pledges and Grants Receivable, Net         | 182,241             | 212,317             |
| Investments (Note 2)                                      | 1,278,683           | 1,229,268           |
| Prepaid or Deferred Expenses, and Other Assets            | 37,609              | 38,264              |
| Property and Equipment, Net                               | 52,316              | 49,651              |
| <b>Total Assets</b>                                       | <b>\$ 1,582,342</b> | <b>\$ 1,567,361</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Accounts Payable and Accrued Liabilities                  | \$ 20,120           | \$ 7,423            |
| Accounts Payable to Universities                          | 4,624               | 15,396              |
| Obligations to Beneficiaries of Split-Interest Agreements | 72,895              | 76,564              |
| Deposits and Deferred Revenue                             | 11,766              | 12,071              |
| Long-Term Liabilities                                     | 76,848              | 77,220              |
| <b>Total Liabilities</b>                                  | <b>\$ 186,253</b>   | <b>\$ 188,674</b>   |
| <b>NET ASSETS</b>   |                     |                     |
| Unrestricted  | \$ 3,089            | \$ 16,529           |
| Temporarily Restricted                                    | 650,774             | 655,490             |
| Permanently Restricted                                    | 742,226             | 706,668             |
| <b>Total Net Assets</b>                                   | <b>\$ 1,396,089</b> | <b>\$ 1,378,687</b> |

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

## | STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS |

| For the Years Ended June 30,  | University System   |                     |
|---|---------------------|---------------------|
|   | 2012                | 2011                |
|   | (In thousands)      |                     |
| <b>OPERATING REVENUES</b>   |                     |                     |
| Student Tuition and Fees (Net of Scholarship Allowances of \$170,102 and \$147,038, respectively)     | \$ 794,444          | \$ 719,852          |
| Federal Grants and Contracts  | 343,709             | 335,573             |
| State and Local Grants and Contracts  | 25,250              | 19,039              |
| Nongovernmental Grants and Contracts  | 40,497              | 44,758              |
| Educational Department Sales and Services   | 54,707              | 56,396              |
| Auxiliary Enterprises Revenues (Net of Scholarship Allowances of \$13,698 and \$13,020, respectively) | 365,914             | 349,303             |
| Other Operating Revenues  | 32,804              | 27,406              |
| <b>Total Operating Revenues</b>   | <b>1,657,325</b>    | <b>1,552,327</b>    |
| <b>OPERATING EXPENSES</b>   |                     |                     |
| Instruction   | 682,611             | 626,267             |
| Research  | 301,046             | 297,065             |
| Public Service  | 142,583             | 141,545             |
| Academic Support  | 154,337             | 143,416             |
| Student Services  | 88,663              | 79,826              |
| Auxiliary Programs  | 399,302             | 366,157             |
| Institutional Support   | 175,990             | 163,030             |
| Operation and Maintenance of Plant  | 97,917              | 97,735              |
| Student Aid   | 95,377              | 94,511              |
| Other Operating Expenses  | 112,021             | 94,327              |
| <b>Total Operating Expenses (Note 11)</b>   | <b>2,249,847</b>    | <b>2,103,879</b>    |
| <b>Operating Loss</b>   | <b>(592,522)</b>    | <b>(551,552)</b>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                     |                     |
| Government Appropriations (Note 12)   | 307,832             | 386,745             |
| Grants  | 167,684             | 152,537             |
| Investment Activity (Note 10)   | 31,385              | 31,513              |
| Gain (Loss) on Sale of Assets, Net  | (1,338)             | (201)               |
| Interest Expense  | (82,959)            | (76,765)            |
| Other Nonoperating Items  | 96,989              | 115,093             |
| <b>Net Nonoperating Revenues</b>  | <b>519,593</b>      | <b>608,922</b>      |
| <b>Income Before Other Nonoperating Revenues</b>  | <b>(72,929)</b>     | <b>57,370</b>       |
| Capital and Debt Service Appropriations (Note 12)   | 49,116              | 36,686              |
| Capital Grants and Gifts  | 33,875              | 46,563              |
| Changes to Permanent Endowments   | 159                 | -                   |
| <b>Total Other Nonoperating Revenues</b>  | <b>83,150</b>       | <b>83,249</b>       |
| <b>Increase In Net Assets</b>   | <b>10,221</b>       | <b>140,619</b>      |
| <b>NET ASSETS</b>   |                     |                     |
| Beginning Balance   | 1,554,413           | 1,413,794           |
| <b>Ending Balance</b>   | <b>\$ 1,564,634</b> | <b>\$ 1,554,413</b> |

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



## | STATEMENTS OF ACTIVITIES |

| For The Years Ended June 30,                                     | Component Units     |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
|  | (In thousands)      |                     |
| <b>REVENUES</b>  |                     |                     |
| Grants, Bequests and Gifts                                       | \$ 189,850          | \$ 194,717          |
| Interest and Dividends   | 17,242              | 15,510              |
| Investment Income (Loss), Net                                    | (10,161)            | 121,976             |
| Change in Value of Life Income Agreements                        | 8                   | 12,490              |
| Other Revenues   | 24,412              | 23,746              |
| <b>Total Revenues</b>  | <b>221,351</b>      | <b>368,439</b>      |
| <b>EXPENSES</b>  |                     |                     |
| General and Administrative                                       | 27,769              | 27,334              |
| Development Expenses   | 6,842               | 6,043               |
| University Support   | 162,195             | 154,525             |
| Other Expenses   | 7,266               | 8,444               |
| <b>Total Expenses</b>  | <b>204,072</b>      | <b>196,346</b>      |
| <b>Increase In Net Assets Before Other Changes in Net Assets</b> | <b>17,279</b>       | <b>172,093</b>      |
| Other Changes in Net Assets                                      | 123                 | -                   |
| <b>Increase In Net Assets</b>                                    | <b>17,402</b>       | <b>172,093</b>      |
| <b>NET ASSETS</b>  |                     |                     |
| Beginning Balance  | 1,378,687           | 1,206,594           |
| <b>Ending Balance</b>  | <b>\$ 1,396,089</b> | <b>\$ 1,378,687</b> |

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

## | STATEMENTS OF CASH FLOWS |

| For the Years Ended June 30,                                     | University System |                   |
|--|-------------------|-------------------|
|  | 2012              | 2011              |
|  | (In thousands)    |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                   |                   |
| Tuition and Fees   | \$ 796,180        | \$ 712,361        |
| Grants and Contracts   | 414,490           | 400,764           |
| Educational Department Sales and Services                        | 54,976            | 56,191            |
| Auxiliary Enterprises Operations                                 | 365,998           | 353,468           |
| Student Loan Collections   | 12,841            | 13,495            |
| Payments to Employees for Compensation and Benefits              | (1,422,535)       | (1,350,876)       |
| Payments to Suppliers  | (560,605)         | (480,229)         |
| Student Financial Aid  | (132,489)         | (128,006)         |
| Student Loan Issuance and Costs                                  | (9,572)           | (10,271)          |
| Other Operating Receipts   | 5,484             | 36,369            |
| <b>Net Cash Used by Operating Activities</b>                     | <b>(475,232)</b>  | <b>(396,734)</b>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                   |                   |
| Government Appropriations  | 307,832           | 392,316           |
| Grants   | 167,684           | 152,537           |
| Private Gifts Received for Endowment Purposes                    | 13                | -                 |
| Other Gifts and Private Contracts                                | 108,451           | 106,231           |
| Net Agency Fund Receipts (Payments)                              | (10,639)          | (4,588)           |
| <b>Net Cash Provided by Noncapital Financing Activities</b>      | <b>573,341</b>    | <b>646,496</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                   |                   |
| Debt Service Appropriations                                      | 42,773            | 37,745            |
| Capital Grants and Gifts   | 45,995            | 46,853            |
| Bond Proceeds from Capital Debt                                  | 4,000             | 249,420           |
| Sales of Capital Assets  | 4,750             | 15,353            |
| Purchases of Capital Assets                                      | (291,519)         | (458,616)         |
| Interest Payments on Capital Debt                                | (87,248)          | (75,316)          |
| Principal Payments on Capital Debt                               | (58,376)          | (42,997)          |
| <b>Net Cash Used by Capital and Related Financing Activities</b> | <b>(339,625)</b>  | <b>(227,558)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                   |                   |
| Net Purchases of Investments                                     | (104,603)         | (166,140)         |
| Interest on Investments and Cash Balances                        | 26,135            | 14,088            |
| Interest Income from Securities Lending                          | 188               | 736               |
| Interest Expense from Securities Lending                         | (188)             | (736)             |
| <b>Net Cash Used by Investing Activities</b>                     | <b>(78,468)</b>   | <b>(152,052)</b>  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                 | <b>(319,984)</b>  | <b>(129,848)</b>  |
| <b>CASH AND CASH EQUIVALENTS</b>                                 |                   |                   |
| Beginning Balance  | 853,793           | 983,641           |
| <b>Ending Balance</b>  | <b>\$ 533,809</b> | <b>\$ 853,793</b> |

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

## | STATEMENTS OF CASH FLOWS |

| For the Years Ended June 30,   | University System   |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
|  | (In thousands)      |                     |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>               |                     |                     |
| Operating Loss   | \$ (592,522)        | \$ (551,552)        |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:              |                     |                     |
| Depreciation Expense   | 124,963             | 113,725             |
| Changes in Assets and Liabilities:   |                     |                     |
| Accounts Receivable  | 2,385               | 7,579               |
| Notes Receivable   | 11,502              | 11,192              |
| Inventories  | (574)               | (151)               |
| Prepaid Expenses   | (4,056)             | (7,659)             |
| Accounts Payable and Accrued Liabilities   | 16,852              | 23,912              |
| Long-Term Liabilities  | (5,645)             | 27,489              |
| Deposits   | 295                 | 173                 |
| Unearned Revenue   | (28,432)            | (21,442)            |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>   | <b>\$ (475,232)</b> | <b>\$ (396,734)</b> |
| <b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b> |                     |                     |
| Capital Assets Acquired by Incurring Capital Lease Obligations                                 | \$ 15               | \$ 18               |
| Capital Assets Acquired by Gifts in Kind   | 7,064               | 3,079               |
| Increase in Fair Value of Investments Recognized as a Component of Investment Activity         | 7,315               | 17,198              |

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



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (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. In addition, the financial position and operating results of certain other legally separate organizations are included in the OUS financial reporting entity on a blended basis if OUS is determined to be financially accountable for the organization. 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). In preparing the financial statements, significant interfund transactions and balances between

universities have been eliminated. The fiscal year 2011 financial statements reflect certain reclassifications to conform to the fiscal year 2012 presentation. Unless otherwise stated, dollars are presented in thousands.

### **Newly Implemented Accounting Standards**

OUS implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, effective for the fiscal year ended June 30, 2012. GASB 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. The adoption of GASB 57 did not materially impact OUS financial statements.

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, 2012.

### **Upcoming Accounting Standards**

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. OUS has several public private partnerships relating to housing provided to students. 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 June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and*

## | NOTES TO THE FINANCIAL STATEMENTS |

### For the Years Ended June 30, 2012 and 2011 (dollars in thousands)

*Net Position.* GASB 63 will provide financial reporting guidance to standardize the presentation of deferred inflows and deferred outflows of resources and their effects on OUS's net position. These requirements are effective for the fiscal year ending June 30, 2013. OUS is not anticipating that the adoption of GASB 63 will have a material impact on its financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. GASB 64 will provide criteria that establish when the effective hedging relationship continues and hedge accounting should be applied. These requirements are effective for the fiscal year ending June 30, 2013. OUS is not anticipating that the adoption of GASB 64 will have a material impact on its financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 will provide financial reporting guidance to reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets or liabilities. These requirements are effective for the fiscal year ending June 30, 2014. OUS is not anticipating that the adoption of GASB 65 will have a material impact on its financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB 66 will resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-1989 FASB and AICPA Pronouncements*. These requirements are effective for the fiscal year ending June 30, 2014. OUS is not anticipating that the adoption of GASB 66 will have a material impact on its financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary purpose of GASB 67 and 68 is to improve accounting and financial reporting by state and local governments for pensions and pension plans. These GASBs replace requirements in GASBs 25 and 27. GASB 67 requirements are effective for the fiscal year ending June 30, 2014. GASB 68 requirements are effective for the fiscal year ending June 30, 2015. OUS is analyzing the effects of the adoption of GASB 67 and 68 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

### 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 recog-

nized when earned and expenses are recorded when a liability is incurred.

OUS had the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. OUS 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

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

to museum collections, works of art or historical treasures, or library special collections.

#### **H. Deferred Revenues**

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

#### **I. Compensated Absences**

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

2013 is estimated to be \$2,558. For the years ended June 30, 2012 and 2011, the net amount of appreciation available for authorization for expenditure was \$16,361 and \$17,313, respectively.

Nonexpendable Endowments on the Statement of Net Assets of \$16,546 and \$16,387 at June 30, 2012 and 2011, 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 generally 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 student tuition and fees, sales and services of auxiliary enterprises, most federal, state and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation, benefits, and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Nonoperating revenues generally 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.

#### **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 \$78,827 and \$67,669 for the fiscal years ended 2012



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

and 2011, 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 \$104,973 and \$92,389 for the fiscal years ended 2012 and 2011, respectively.

**O. Federal Student Loan Programs**

OUS universities receive proceeds from the Federal Direct Student 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 \$597,409 and \$568,670 for the fiscal years ended 2012 and 2011, 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 investment securities. At the fiscal years ended June 30, 2012 and 2011, OUS cash and cash equivalents on deposit at State Treasury were \$531,695 and \$851,298, 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://treasury.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx>.

**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 to the 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. To facilitate study abroad programs, there are some cash balances held in local currency to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled \$199 and \$127 at June 30, 2012 and 2011, respectively.

To further mitigate foreign currency risks for prospective study abroad activities, OUS periodically enters into forward foreign currency contracts. At June 30, 2012 and 2011, respectively, these contracts totaled \$1,910 and \$3,010 and had a net fair value loss of \$150 and a net fair value gain of \$146.

| June 30, 2012 |                             |                     |                   |                  |                  |               |
|---------------|-----------------------------|---------------------|-------------------|------------------|------------------|---------------|
|               | Notional<br>Currency Amount | Principal<br>Amount | Effective<br>Date | Maturity<br>Date | Contract<br>Rate | Fair<br>Value |
| CNY           | 100                         | \$ 16               | 5/1/2012          | 10/1/2012        | \$ 0.1640        | \$ (1)        |
| EUR           | 511                         | 689                 | 6/1/2012          | 1/31/2013        | 1.3473           | (52)          |
|               | 42                          | 57                  | 5/1/2012          | 10/31/2012       | 1.3556           | (5)           |
|               | 250                         | 339                 | 5/15/2012         | 8/15/2012        | 1.3550           | (27)          |
|               | 250                         | 342                 | 5/1/2012          | 7/31/2012        | 1.3718           | (31)          |
|               | 250                         | 342                 | 5/1/2012          | 7/31/2012        | 1.3700           | (31)          |
| JPY           | 7,324                       | 94                  | 7/2/2012          | 4/15/2013        | 0.0128           | (2)           |
|               | 2,376                       | 31                  | 2/20/2012         | 7/31/2012        | 0.0130           | (1)           |

| June 30, 2011 |                             |                     |                   |                  |                  |               |
|---------------|-----------------------------|---------------------|-------------------|------------------|------------------|---------------|
|               | Notional<br>Currency Amount | Principal<br>Amount | Effective<br>Date | Maturity<br>Date | Contract<br>Rate | Fair<br>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, 2012 and 2011 and changes in fair value for the year then ended as reported on 2012 and 2011 financial statements are as follows (debit (credit)):

| Changes in Fair Value |        | Fair Value at June 30, 2012 |        | Notional |        |
|-----------------------|--------|-----------------------------|--------|----------|--------|
| Classification        | Amount | Classification              | Amount | Currency | Amount |
| Deferred Inflow       | \$ (1) | Derivative Instrument       | \$ (1) | CNY      | 100    |
| Deferred Inflow       | (146)  | Derivative Instrument       | (146)  | EUR      | 1,303  |
| Deferred Inflow       | (3)    | Derivative Instrument       | (3)    | JPY      | 9,700  |

| 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, 2012 and 2011 (dollars in thousands)**

**Other Deposits**

OUS cash and cash equivalents held by a fiscal agent outside the State Treasury comprised \$1,477 and \$1,688 at June 30, 2012 and 2011, 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, 2012, no bondholders had balances exceeding \$250.

For the years ended June 30, 2012 and 2011, OUS had vault and petty cash balances of \$787 and \$807, respectively. Additionally, OUS had small amounts of cash invested with a fiscal agent relating to debt issuances.

**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, 2012 and 2011:

**University System**

|                                     | June 30, 2012     |                  | June 30, 2011     |                  |
|-------------------------------------|-------------------|------------------|-------------------|------------------|
|                                     | Fair Value        | Asset Allocation | Fair Value        | Asset Allocation |
| Investment Type:                    |                   |                  |                   |                  |
| Mutual Funds -                      |                   |                  |                   |                  |
| Domestic Fixed Income               | \$ 126,066        | 35%              | \$ 113,053        | 45%              |
| Corporate Bonds                     | 65,323            | 18%              | 26,904            | 11%              |
| US Agency Securities                | 63,340            | 18%              | 32,830            | 13%              |
| International Debt Securities       | 21,627            | 6%               | 8,120             | 3%               |
| US Government Bonds                 | 11,606            | 3%               | 5,073             | 2%               |
| Guaranteed Investment Contracts     | -                 | -                | 2,844             | 1%               |
| Municipal Bonds                     | 11,876            | 3%               | 1,916             | 1%               |
| Money Market Funds                  | 1,386             | -                | 1,056             | -                |
| Fixed Income Investments            | <u>301,224</u>    |                  | <u>191,796</u>    |                  |
| International Equity Securities     | 9,783             | 3%               | 13,413            | 5%               |
| Mutual Funds -                      |                   |                  |                   |                  |
| Domestic Equity Securities          | 16,178            | 5%               | 16,739            | 7%               |
| Mutual Funds -                      |                   |                  |                   |                  |
| International Equity Securities     | 6,176             | 2%               | 6,785             | 3%               |
| Equity Investments                  | <u>32,137</u>     |                  | <u>36,937</u>     |                  |
| Alternative Equities                | 8,128             | 2%               | 6,801             | 3%               |
| Asset Backed Securities             | 7,727             | 2%               | 5,895             | 2%               |
| Collateralized Mortgage Obligations | 8,163             | 2%               | 5,473             | 2%               |
| Real Estate                         | 1,901             | 1%               | 2,251             | 1%               |
| Other Investments                   | <u>25,919</u>     |                  | <u>20,420</u>     |                  |
| Total All Investments               | <u>359,280</u>    | 100%             | <u>249,153</u>    | 100%             |
| Less Amounts Recorded As Cash       | (1,386)           |                  | (1,056)           |                  |
| Total Investments                   | <u>\$ 357,894</u> |                  | <u>\$ 248,097</u> |                  |

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.



Field research — PSU

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

Significant events in domestic and international investment markets such as sovereign debt concerns across Europe and aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. 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, 2012.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2012, ten individually named permanent endowment funds had estimated fair values that, in total, were \$128 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, \$103 million are invested in an intermediate term pool managed by State Treasury, \$190 million are individually held investments, \$65 million are invested in a portfolio that is managed for the benefit of pooled gifts and endowments, and \$2 million are separately invested endowments. 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, 2012 and 2011 as follows at the top of the next column:

**Component Units**

| Fair Value at June 30,<br>Investment Type:                           | 2012                | 2011                |
|--|---------------------|---------------------|
| Corporate Stocks, Bonds, Securities and Mutual Funds                 | \$ 618,114          | \$ 543,273          |
| Investment in Common Stock, Voting Trust and Partnerships            | 478,638             | 464,074             |
| US Treasury Notes and Government Obligations                         | 14,082              | 67,432              |
| Money Market Funds and Certificates of Deposit                       | 45,072              | 44,077              |
| Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds | 16,076              | 17,125              |
| Land and Buildings   | 17,067              | 14,159              |
| Remainder Trusts, Unitrusts and Gift Annuities                       | 56,386              | 60,169              |
| Alternative Investments  | 18,330              | 13,896              |
| Investment Receivables   | 1,304               | 722                 |
| Cash Value of Life Insurance Policies                                | 2,163               | 367                 |
| Other  | 11,451              | 3,974               |
| <b>Total Investments</b>   | <b>\$ 1,278,683</b> | <b>\$ 1,229,268</b> |

**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. Its 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. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate. At June 30, 2012 and 2011, OUS investments had the following credit quality ratings:

| Investment Type:                      | Total             | Govt             | AAA              | AA               | A                | BBB              | Below<br>BBB    | Unrated          |
|---------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|
| <b>Mutual Funds - Dom. Fixed Inc.</b> | <b>\$ 126,066</b> | <b>\$ 4,987</b>  | <b>\$ 13,963</b> | <b>\$ 26,287</b> | <b>\$ 33,078</b> | <b>\$ 43,378</b> | <b>\$ 367</b>   | <b>\$ 4,006</b>  |
| Corporate Bonds                       | 65,323            |                  |                  | 15,443           | 38,002           | 11,878           |                 |                  |
| US Agency Securities                  | 63,340            |                  |                  | 28,495           | 3,407            |                  |                 | 31,438           |
| International Debt Securities         | 21,627            |                  | 2,632            | 11,725           | 7,270            |                  |                 |                  |
| Municipals                            | 11,876            |                  | 5,506            | 3,828            |                  |                  |                 | 2,542            |
| US Govt Bonds                         | 11,606            | 11,606           |                  |                  |                  |                  |                 |                  |
| Collateralized Mortgage Oblig.        | 8,163             |                  | 8,163            |                  |                  |                  |                 |                  |
| Asset Backed Securities               | 7,727             |                  | 7,727            |                  |                  |                  |                 |                  |
| <b>Fair Value at June 30, 2012</b>    | <b>\$ 315,728</b> | <b>\$ 16,593</b> | <b>\$ 37,991</b> | <b>\$ 85,778</b> | <b>\$ 81,757</b> | <b>\$ 55,256</b> | <b>\$ 367</b>   | <b>\$ 37,986</b> |
| Mutual Funds - Dom. Fixed Inc.        | \$ 113,053        | \$ 4,613         | \$ 29,858        | \$ 10,338        | \$ 28,580        | \$ 37,230        | \$ 1,518        | \$ 916           |
| Corporate Bonds                       | 26,904            |                  | 98               | 888              | 21,365           | 4,553            |                 |                  |
| US Agency Securities                  | 32,830            |                  | 29,645           |                  | 3,185            |                  |                 |                  |
| International Debt Securities         | 8,120             |                  | 4,105            | 4,015            |                  |                  |                 |                  |
| Municipals                            | 1,916             |                  |                  | 1,916            |                  |                  |                 |                  |
| US Govt Bonds                         | 5,073             | 5,073            |                  |                  |                  |                  |                 |                  |
| Collateralized Mortgage Oblig.        | 5,473             |                  | 5,473            |                  |                  |                  |                 |                  |
| Asset Backed Securities               | 5,895             |                  | 5,895            |                  |                  |                  |                 |                  |
| <b>Fair Value at June 30, 2011</b>    | <b>\$ 199,264</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>\$ 916</b>    |



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

**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 to control 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. OUS's holding of Federal Home Loan Mortgage Corporation comprised 7.5% of the total investment at June 30, 2012.

**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, 2012 and 2011 (duration in years):

| Fair Value at June 30,<br>Investment Type: | 2012              | Dura-<br>tion | 2011              | Dura-<br>tion |
|--|-------------------|---------------|-------------------|---------------|
| Mutual Funds-Domestic                      |                   |               |                   |               |
| Fixed Income                               | \$ 126,066        | 3.17          | \$ 113,053        | 3.87          |
| Corporate Bonds                            | 65,323            | 3.78          | 26,904            | 2.84          |
| US Agency Securities                       | 63,340            | 3.82          | 32,830            | 3.87          |
| International Debt Securities              | 21,627            | 5.08          | 8,120             | 3.82          |
| Municipals                                 | 11,876            | 2.96          | 1,916             | 6.71          |
| US Government Bonds                        | 11,606            | 7.38          | 5,073             | 8.36          |
| Collateralized Mortgage                    |                   |               |                   |               |
| Obligations                                | 8,163             | 4.51          | 5,473             | 3.96          |
| Asset Backed Securities                    | 7,727             | 2.34          | 5,895             | 2.60          |
| Guaranteed Invst Contracts                 |                   |               | 2,844             | 3.00          |
| Money Market Funds                         | 1,386             | 0.50          | 1,056             | 0.50          |
| Total Fair Value                           | <u>\$ 317,114</u> |               | <u>\$ 203,164</u> |               |
| Portfolio Weighted Average Duration        |                   | 3.70          |                   | 3.81          |

**Foreign Currency Risk**

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. OUS has \$38 million in deposits and mutual funds that are primarily invested in international debt and equities at June 30, 2012. Approximately \$9 million of these investments have foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a com-

mitment 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 adverse changes in the value of the currency and the failure of the counterparty to perform. The following schedule presents the foreign currency exchange contracts in effect as of June 30, 2012 and 2011:

| As of June 30, 2012<br>Description  | Delivery<br>Dates | Notional<br>Value | Fair Market<br>Value |
|-------------------------------------|-------------------|-------------------|----------------------|
| <b>Foreign Currency Exchange</b>    |                   |                   |                      |
| <b>Contracts Purchased:</b>         |                   |                   |                      |
| Australian Dollar                   | 9/19/2012         | \$ 1,177          | \$ 1,220             |
| Canadian Dollar                     | 9/19/2012         | 667               | 674                  |
| Danish Krone                        | 9/19/2012         | 52                | 53                   |
| Eurodollar                          | 9/19/2012         | 2,691             | 2,741                |
| Hong Kong Dollar                    | 9/19/2012         | 440               | 440                  |
| Israeli Shekel                      | 9/19/2012         | 2                 | 2                    |
| Japanese Yen                        | 9/19/2012         | 896               | 893                  |
| New Zealand Dollar                  | 9/19/2012         | 49                | 51                   |
| Norwegian Krone                     | 9/19/2012         | 189               | 192                  |
| Pound Sterling                      | 9/19/2012         | 1,386             | 1,398                |
| Singapore Dollar                    | 9/19/2012         | 327               | 331                  |
| Swedish Krona                       | 9/19/2012         | 416               | 428                  |
| Swiss Franc                         | 9/19/2012         | 561               | 571                  |
| <b>Total Contracts Purchased</b>    |                   | <b>8,853</b>      | <b>8,994</b>         |
| <b>Foreign Currency Exchange</b>    |                   |                   |                      |
| <b>Contracts Sold:</b>              |                   |                   |                      |
| Australian Dollar                   | 9/19/2012         | 1,177             | 1,220                |
| Canadian Dollar                     | 9/19/2012         | -                 | -                    |
| Danish Krone                        | 9/19/2012         | 52                | 53                   |
| Eurodollar                          | 9/19/2012         | 3,504             | 3,568                |
| Hong Kong Dollar                    | 9/19/2012         | 331               | 331                  |
| Israeli Shekel                      | 9/19/2012         | -                 | -                    |
| Japanese Yen                        | 9/19/2012         | 896               | 893                  |
| New Zealand Dollar                  | 9/19/2012         | 84                | 87                   |
| Norwegian Krone                     | 9/19/2012         | 191               | 195                  |
| Pound Sterling                      | 9/19/2012         | 1,387             | 1,399                |
| Singapore Dollar                    | 9/19/2012         | 207               | 210                  |
| Swedish Krona                       | 9/19/2012         | 415               | 427                  |
| Swiss Franc                         | 9/19/2012         | 560               | 570                  |
| <b>Total Contracts Sold</b>         |                   | <b>8,804</b>      | <b>8,953</b>         |
| <b>Total Foreign Currency</b>       |                   |                   |                      |
| Exchange Contracts                  |                   | \$ 17,657         | \$ 17,947            |
| <b>Net Forward Foreign Currency</b> |                   |                   |                      |
| Exchange Contracts                  |                   | \$ (49)           | \$ (41)              |



Math classroom — EOU

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

| As of June 30, 2011<br>Description  | Delivery<br>Dates | Notional<br>Value | Fair Market<br>Value |
|-------------------------------------|-------------------|-------------------|----------------------|
| <b>Foreign Currency Exchange</b>    |                   |                   |                      |
| Contracts Purchased:                |                   |                   |                      |
| 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                  |
| Total Contracts Purchased           |                   | 12,883            | 12,946               |
| <b>Foreign Currency Exchange</b>    |                   |                   |                      |
| Contracts Sold:                     |                   |                   |                      |
| 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                  |
| Total Contracts Sold                |                   | 12,884            | 12,947               |
| <b>Total Foreign Currency</b>       |                   |                   |                      |
| Exchange Contracts                  |                   | \$ 25,767         | \$ 25,893            |
| <b>Net Forward Foreign Currency</b> |                   |                   |                      |
| Exchange Contracts                  |                   | \$ 1              | \$ 1                 |

### 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:

|                               | <b>June 30,<br/>2012</b> | June 30,<br>2011 |
|-------------------------------|--------------------------|------------------|
| OUS Securities on loan:       |                          |                  |
| Fair Value                    | \$ 279                   | \$ 56            |
| Cash Collateral held by OUS:  |                          |                  |
| Fair Value                    | 286                      | 58               |
| Reported Value                | 286                      | 58               |
| OSTF Securities on loan:      |                          |                  |
| Fair Value                    | 56,853                   | 272,992          |
| Cash Collateral held by OSTF: |                          |                  |
| Fair Value                    | 58,113                   | 253,565          |
| Reported Value                | 58,102                   | 253,568          |

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, 2012, 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 maintain 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.



Linus Pauling Science Center — OSU

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

### 3. Accounts Receivable

Accounts Receivable, excluding component units, comprised the following:

|                                       | June 30,<br>2012  | June 30,<br>2011  |
|---------------------------------------|-------------------|-------------------|
| Student Tuition and Fees              | \$ 116,086        | \$ 107,195        |
| Auxiliary Enterprises and Other       |                   |                   |
| Operating Activities                  | 27,222            | 24,584            |
| Federal Grants and Contracts          | 46,811            | 49,356            |
| State, Other Government, and Private  |                   |                   |
| Gifts, Grants and Contracts           | 11,037            | 12,276            |
| Other                                 | 24,570            | 16,619            |
|                                       | <u>225,726</u>    | <u>210,030</u>    |
| Less: Allowance for Doubtful Accounts | <u>(17,556)</u>   | <u>(15,856)</u>   |
| Accounts Receivable, Net              | <u>\$ 208,170</u> | <u>\$ 194,174</u> |

### 4. Notes Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2012 and 2011. The program is funded through 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, 2012    |                  |                   |
|------------------------------|------------------|------------------|-------------------|
|                              | Current          | Noncurrent       | Total             |
| Institutional and Other      |                  |                  |                   |
| Student Loans                | \$ 2,131         | \$ 3,199         | \$ 5,330          |
| Federal Student Loans        | 16,092           | 56,419           | 72,511            |
| Amounts Due from OHSU for    |                  |                  |                   |
| Indebtedness (See Note 8.H.) | 4,711            | 41,987           | 46,698            |
|                              | <u>22,934</u>    | <u>101,605</u>   | <u>124,539</u>    |
| Less: Allowance for Doubtful |                  |                  |                   |
| Accounts                     | <u>(3,553)</u>   | <u>(7,978)</u>   | <u>(11,531)</u>   |
| Notes Receivable, Net        | <u>\$ 19,381</u> | <u>\$ 93,627</u> | <u>\$ 113,008</u> |

|                                | 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                       | <u>(3,715)</u>   | <u>(7,324)</u>    | <u>(11,039)</u>   |
| Notes Receivable, Net          | <u>\$ 16,753</u> | <u>\$ 103,344</u> | <u>\$ 120,097</u> |



Artwork 'Heart and Mind' in Martha Anne Dow Center for Health Professionals — OIT



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

## 5. Capital Assets

The following schedule reflects the changes in capital assets:

|   | Balance<br>June 30,<br>2010 | Additions         | Transfer<br>Completed<br>Assets | Retire.<br>and<br>Adjust. | Balance<br>June 30,<br>2011 | Additions         | Transfer<br>Completed<br>Assets | Retire.<br>and<br>Adjust. | Balance<br>June 30,<br>2012 |
|---|-----------------------------|-------------------|---------------------------------|---------------------------|-----------------------------|-------------------|---------------------------------|---------------------------|-----------------------------|
| <b>Capital Assets,</b>  |                             |                   |                                 |                           |                             |                   |                                 |                           |                             |
| <b>Non-depreciable/<br/>Non-amortizable:</b>                          |                             |                   |                                 |                           |                             |                   |                                 |                           |                             |
| Land  | \$ 115,858                  | \$ 7,914          | \$ 1,488                        | \$ (12)                   | \$ 125,248                  | \$ 2,356          | \$ 596                          | \$ (35)                   | \$ 128,165                  |
| Capitalized Collections   | 63,894                      | 1,694             | -                               | (202)                     | 65,386                      | 2,594             | -                               | 31                        | 68,011                      |
| Construction in Progress  | 353,405                     | 391,292           | (413,717)                       | 96                        | 331,076                     | 247,162           | (257,344)                       | (877)                     | 320,017                     |
| Intangible Assets   | 1                           | -                 | -                               | (1)                       | -                           | 407               | -                               | (407)                     | -                           |
| Intangible Assets in Progress   | 409                         | 6,688             | -                               | (159)                     | 6,938                       | -                 | (6,688)                         | (199)                     | 51                          |
| <b>Total Capital Assets,<br/>Non-depreciable/<br/>Non-amortizable</b> | <u>533,567</u>              | <u>407,588</u>    | <u>(412,229)</u>                | <u>(278)</u>              | <u>528,648</u>              | <u>252,519</u>    | <u>(263,436)</u>                | <u>(1,487)</u>            | <u>516,244</u>              |
| <b>Capital Assets, Depreciable/<br/>Amortizable:</b>                  |                             |                   |                                 |                           |                             |                   |                                 |                           |                             |
| Equipment   | 325,661                     | 33,007            | 872                             | (11,838)                  | 347,702                     | 32,398            | 1,032                           | (13,979)                  | 367,153                     |
| Library Materials   | 322,660                     | 5,007             | -                               | (1,013)                   | 326,654                     | 5,133             | -                               | (1,345)                   | 330,442                     |
| Buildings   | 2,135,504                   | 19,534            | 388,133                         | (924)                     | 2,542,247                   | 5,568             | 244,017                         | (11,104)                  | 2,780,728                   |
| Land Improvements   | 47,758                      | -                 | 12,234                          | -                         | 59,992                      | -                 | 4,096                           | -                         | 64,088                      |
| Improvements Other Than<br>Buildings                                  | 26,536                      | -                 | 940                             | -                         | 27,476                      | -                 | 672                             | (66)                      | 28,082                      |
| Infrastructure  | 85,178                      | -                 | 10,050                          | (381)                     | 94,847                      | -                 | 7,575                           | (496)                     | 101,926                     |
| Intangible Assets   | 37,514                      | 1,293             | -                               | -                         | 38,807                      | 1,224             | 6,044                           | (134)                     | 45,941                      |
| <b>Total Capital Assets,<br/>Depreciable/Amortizable</b>              | <u>2,980,811</u>            | <u>58,841</u>     | <u>412,229</u>                  | <u>(14,156)</u>           | <u>3,437,725</u>            | <u>44,323</u>     | <u>263,436</u>                  | <u>(27,124)</u>           | <u>3,718,360</u>            |
| <b>Less Accumulated Depreciation/<br/>Amortization for:</b>           |                             |                   |                                 |                           |                             |                   |                                 |                           |                             |
| Equipment   | (225,610)                   | (26,082)          | -                               | 10,166                    | (241,526)                   | (28,314)          | -                               | 12,059                    | (257,781)                   |
| Library Materials   | (268,731)                   | (11,555)          | -                               | 961                       | (279,325)                   | (10,501)          | -                               | 1,297                     | (288,529)                   |
| Buildings   | (790,254)                   | (65,719)          | -                               | (2,722)                   | (858,695)                   | (76,144)          | -                               | 1,074                     | (933,765)                   |
| Land Improvements   | (18,925)                    | (2,793)           | -                               | 1                         | (21,717)                    | (3,534)           | -                               | 3                         | (25,248)                    |
| Improvements Other Than<br>Buildings                                  | (15,097)                    | (1,695)           | -                               | (5)                       | (16,797)                    | (1,469)           | -                               | (8)                       | (18,274)                    |
| Infrastructure  | (44,385)                    | (4,042)           | -                               | (3)                       | (48,430)                    | (2,877)           | -                               | (549)                     | (51,856)                    |
| Intangible Assets   | (24,841)                    | (1,839)           | -                               | -                         | (26,680)                    | (2,124)           | -                               | (9)                       | (28,813)                    |
| <b>Total Accumulated<br/>Amortization</b>                             | <u>(1,387,843)</u>          | <u>(113,725)</u>  | <u>-</u>                        | <u>8,398</u>              | <u>(1,493,170)</u>          | <u>(124,963)</u>  | <u>-</u>                        | <u>13,867</u>             | <u>(1,604,266)</u>          |
| <b>Total Capital Assets, Net</b>                                      | <u>\$ 2,126,535</u>         | <u>\$ 352,704</u> | <u>\$ -</u>                     | <u>\$ (6,036)</u>         | <u>\$ 2,473,203</u>         | <u>\$ 171,879</u> | <u>\$ -</u>                     | <u>\$ (14,744)</u>        | <u>\$ 2,630,338</u>         |
| <b>Capital Assets Summary</b>   |                             |                   |                                 |                           |                             |                   |                                 |                           |                             |
| Capital Assets, Non-depreciable/<br>Non-amortizable                   | \$ 533,567                  | \$ 407,588        | \$ (412,229)                    | \$ (278)                  | \$ 528,648                  | \$ 252,519        | \$ (263,436)                    | \$ (1,487)                | \$ 516,244                  |
| Capital Assets, Depreciable/<br>Amortizable                           | 2,980,811                   | 58,841            | 412,229                         | (14,156)                  | 3,437,725                   | 44,323            | 263,436                         | (27,124)                  | 3,718,360                   |
| Total Cost of Capital Assets  | 3,514,378                   | 466,429           | -                               | (14,434)                  | 3,966,373                   | 296,842           | -                               | (28,611)                  | 4,234,604                   |
| Less Accumulated Depreciation/<br>Amortization                        | (1,387,843)                 | (113,725)         | -                               | 8,398                     | (1,493,170)                 | (124,963)         | -                               | 13,867                    | (1,604,266)                 |
| <b>Total Capital Assets, Net</b>                                      | <u>\$ 2,126,535</u>         | <u>\$ 352,704</u> | <u>\$ -</u>                     | <u>\$ (6,036)</u>         | <u>\$ 2,473,203</u>         | <u>\$ 171,879</u> | <u>\$ -</u>                     | <u>\$ (14,744)</u>        | <u>\$ 2,630,338</u>         |

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

**6. Accounts Payable and Accrued Liabilities**

Accounts Payable and Accrued Liabilities comprised the following:

|                                  | June 30,<br>2012  | June 30,<br>2011  |
|----------------------------------|-------------------|-------------------|
| Services and Supplies            | \$ 75,574         | \$ 99,310         |
| Accrued Interest                 | 30,497            | 29,543            |
| Salaries and Wages               | 59,820            | 20,455            |
| Return of Debt Service           | -                 | 7,483             |
| Payroll Related Expenses         | 2,025             | 2,328             |
| Contract Retainage Payable       | 10,528            | 11,383            |
| Matured Bonds, COPs and Interest |                   |                   |
| Payable                          | 1,477             | 1,688             |
| Other                            | 6                 | 5,187             |
|                                  | <u>\$ 179,927</u> | <u>\$ 177,377</u> |

**7. Operating Leases**

**A. Receivables/Revenues**

OUS receives income for land, property and equipment that is leased to non-State entities. Rental income received from leases was \$9,061 and \$8,949 for the years ended June 30, 2012 and 2011, respectively. The original cost of assets leased, net of depreciation, was \$51,943 and \$49,161 for the years ended June 30, 2012 and 2011, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2012 were:

For the year ending June 30,

|  |                  |
|--|------------------|
| 2013                                   | \$ 7,425         |
| 2014                                   | 4,188            |
| 2015                                   | 3,432            |
| 2016                                   | 3,115            |
| 2017                                   | 2,500            |
| 2018-2022                              | 9,138            |
| 2023-2027                              | 6,753            |
| 2028-2032                              | 5,873            |
| 2033-2037                              | 4,622            |
| 2038-2042                              | 3,475            |
| 2043-2047                              | 1,099            |
| 2048-2052                              | 466              |
| 2053-2057                              | 306              |
| Total Minimum Operating Lease Revenues | <u>\$ 52,392</u> |



Student artist paints Fall colors — WOU

**B. Payables/Expenses**

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$15,019 and \$16,154 for the years ended June 30, 2012 and 2011, respectively. Minimum future lease payments on operating leases at June 30, 2012 were:

For the year ending June 30,

|  |                  |
|--|------------------|
| 2013                                   | \$ 13,924        |
| 2014                                   | 12,047           |
| 2015                                   | 11,657           |
| 2016                                   | 10,812           |
| 2017                                   | 9,720            |
| 2018-2022                              | 41,094           |
| 2023-2027                              | 14,088           |
| 2028-2032                              | 3,196            |
| 2033-2037                              | 5                |
| 2038-2042                              | 2                |
| Total Minimum Operating Lease Payments | <u>\$116,545</u> |

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

## 8. Long-Term Liabilities

Long-term liability activity was as follows:

|  | Balance<br>June 30,<br>2011 | Additions         | Reductions          | Balance<br>June 30,<br>2012 | Amounts<br>Due Within<br>One Year | Long-term<br>Portion |
|--|-----------------------------|-------------------|---------------------|-----------------------------|-----------------------------------|----------------------|
| <b>Long-Term Debt</b>                    |                             |                   |                     |                             |                                   |                      |
| General Obligation Bonds XI-F(1)         | \$ 1,190,370                | \$ 86,300         | \$ (128,015)        | \$ 1,148,655                | \$ 43,732                         | \$ 1,104,923         |
| General Obligation Bonds XI-G            | 422,952                     | 29,569            | (40,377)            | 412,144                     | 13,777                            | 398,367              |
| General Obligation Bonds XI-Q            | 41,685                      | 2,007             | (1,432)             | 42,260                      | 2,111                             | 40,149               |
| Oregon Department of Energy Loans (SELP) | 91,144                      | 9,064             | (3,609)             | 96,599                      | 3,836                             | 92,763               |
| Certificates of Participation (COPs)     | 105,637                     | -                 | (8,233)             | 97,404                      | 7,932                             | 89,472               |
| Lottery Bonds                            | 108,843                     | 5,493             | (6,652)             | 107,684                     | 2,496                             | 105,188              |
| Capital Leases                           | 614                         | 15                | (73)                | 556                         | 65                                | 491                  |
| Arbitrage                                | 274                         | -                 | (151)               | 123                         | 123                               | -                    |
| Installment Purchase                     | -                           | 455               | (82)                | 373                         | 80                                | 293                  |
| Total Long-Term Debt                     | <u>1,961,519</u>            | <u>132,903</u>    | <u>(188,624)</u>    | <u>1,905,798</u>            | <u>74,152</u>                     | <u>1,831,646</u>     |
| <b>Other Noncurrent Liabilities</b>      |                             |                   |                     |                             |                                   |                      |
| Compensated Absences                     | 47,423                      | 51,478            | (47,423)            | 51,478                      | 48,159                            | 3,319                |
| OHSU Contract Payable                    | 28,029                      | -                 | (7,208)             | 20,821                      | 1,234                             | 19,587               |
| Other Postemployment Benefits            | 14,116                      | 2,536             | -                   | 16,652                      | -                                 | 16,652               |
| Deferred Compensation                    | 12,067                      | 49                | (1,180)             | 10,936                      | 1,229                             | 9,707                |
| Employee Termination Liabilities         | 3,346                       | 125               | (1,202)             | 2,269                       | 865                               | 1,404                |
| Deferred Revenue                         | 1,879                       | -                 | (82)                | 1,797                       | 100                               | 1,697                |
| Early Retirement Liability               | 1,891                       | 1,479             | (682)               | 2,688                       | 1,764                             | 924                  |
| Deferred Inflow (Outflow)                | 147                         | (149)             | (147)               | (149)                       | (149)                             | -                    |
| Total Other Noncurrent Liabilities       | <u>108,898</u>              | <u>55,518</u>     | <u>(57,924)</u>     | <u>106,492</u>              | <u>53,202</u>                     | <u>53,290</u>        |
| <b>Total Long-Term Liabilities</b>       | <u>\$ 2,070,417</u>         | <u>\$ 188,421</u> | <u>\$ (246,548)</u> | <u>\$ 2,012,290</u>         | <u>\$ 127,354</u>                 | <u>\$ 1,884,936</u>  |

|  | Balance<br>June 30,<br>2010 | Additions         | Reductions          | Balance<br>June 30,<br>2011 | Amounts<br>Due Within<br>One Year | Long-term<br>Portion |
|--|-----------------------------|-------------------|---------------------|-----------------------------|-----------------------------------|----------------------|
| <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)                | -                           | -                                 | -                    |
| Total Long-Term Debt                     | <u>1,722,703</u>            | <u>295,996</u>    | <u>(57,180)</u>     | <u>1,961,519</u>            | <u>74,258</u>                     | <u>1,887,261</u>     |
| <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                               | -                    |
| Total Other Noncurrent Liabilities       | <u>74,938</u>               | <u>82,411</u>     | <u>(48,451)</u>     | <u>108,898</u>              | <u>51,976</u>                     | <u>56,922</u>        |
| <b>Total Long-Term Liabilities</b>       | <u>\$ 1,797,641</u>         | <u>\$ 378,407</u> | <u>\$ (105,631)</u> | <u>\$ 2,070,417</u>         | <u>\$ 126,234</u>                 | <u>\$ 1,944,183</u>  |



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (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             |                  |                  |                   |                |                  |                     |              |              |
| 2013  | \$ 93,966                | \$ 30,713         | \$ 3,754         | \$ 9,117         | \$ 12,144        | \$ 6,931          | \$ 107         | \$ 239           | \$ 156,971          | \$ 60,774    | \$ 96,197    |
| 2014  | 93,092                   | 30,830            | 4,129            | 9,084            | 10,792           | 7,873             | 102            | 117              | 156,019             | 62,837       | 93,182       |
| 2015  | 89,329                   | 30,797            | 4,117            | 8,964            | 9,266            | 9,955             | 99             | 115              | 152,642             | 64,147       | 88,495       |
| 2016  | 90,242                   | 30,813            | 4,129            | 8,886            | 8,427            | 10,353            | 98             | 115              | 153,063             | 66,064       | 86,999       |
| 2017  | 90,632                   | 30,817            | 3,635            | 8,683            | 8,244            | 10,262            | 93             |                  | 152,366             | 66,521       | 85,845       |
| 2018-2022                                   | 421,063                  | 148,539           | 14,771           | 40,791           | 36,508           | 44,292            | 236            |                  | 706,200             | 350,901      | 355,299      |
| 2023-2027                                   | 378,245                  | 142,882           | 9,550            | 38,787           | 33,586           | 50,488            |                |                  | 653,538             | 409,954      | 243,584      |
| 2028-2032                                   | 318,281                  | 112,427           | 8,338            | 31,060           | 17,137           | 13,159            |                |                  | 500,402             | 357,305      | 143,097      |
| 2033-2037                                   | 233,865                  | 72,885            | 5,217            | 9                | 4,906            |                   |                |                  | 316,882             | 252,384      | 64,498       |
| 2038-2042                                   | 99,007                   | 34,837            |                  |                  |                  |                   |                |                  | 133,844             | 123,095      | 10,749       |
| Accreted Interest                           |                          |                   |                  |                  |                  |                   |                |                  |                     | 53,064       | (53,064)     |
|   |                          |                   |                  |                  |                  |                   |                |                  |                     | \$ 1,867,046 | \$ 1,214,881 |
| <b>Total Future Debt Service</b>            | <b>1,907,722</b>         | <b>665,540</b>    | <b>57,640</b>    | <b>155,381</b>   | <b>141,010</b>   | <b>153,313</b>    | <b>735</b>     | <b>586</b>       | <b>3,081,927</b>    |              |              |
| Less: Interest Component of Future Payments | (779,212)                | (259,814)         | (20,090)         | (58,782)         | (47,016)         | (49,698)          | (179)          | (90)             | (1,214,881)         |              |              |
| <b>Principal Portion of Future Payments</b> | <b>1,128,510</b>         | <b>405,726</b>    | <b>37,550</b>    | <b>96,599</b>    | <b>93,994</b>    | <b>103,615</b>    | <b>556</b>     | <b>496</b>       | <b>1,867,046</b>    |              |              |
| Adjusted by:                                |                          |                   |                  |                  |                  |                   |                |                  |                     |              |              |
| Unamortized Bond Premiums                   | 37,736                   | 12,350            | 4,710            |                  | 3,410            | 4,198             |                |                  | 62,404              |              |              |
| Deferred Gain on Refunding                  | (17,591)                 | (5,932)           |                  |                  |                  | (129)             |                |                  | (23,652)            |              |              |
| <b>Total Long-Term Debt</b>                 | <b>\$ 1,148,655</b>      | <b>\$ 412,144</b> | <b>\$ 42,260</b> | <b>\$ 96,599</b> | <b>\$ 97,404</b> | <b>\$ 107,684</b> | <b>\$ 556</b>  | <b>\$ 496</b>    | <b>\$ 1,905,798</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 0.25 percent to 7.25 percent, are due serially through 2042.

During the fiscal year ended June 30, 2012, OUS issued bonded indebtedness as follows:

- XI-F(1) Taxable and Tax Exempt Bond Series 2012 AC, \$73,830, average net rate of 2.46 percent for refunding due serially through 2029.

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.

### 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 0.32 percent to 7.00 percent, are due serially through 2042.

During the fiscal year ended June 30, 2012, OUS issued bonded indebtedness as follows:

- XI-G Tax Exempt Bonds Series 2012 B, \$26,650, average rate of 2.68 percent for refunding due serially through 2031.

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.

### 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 issued 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 bondholders. XI-Q, with effective yields ranging from 0.3 percent to 3.7 percent, are due serially through fiscal year 2026.

During the fiscal year ended June 30, 2012, the State issued on OUS's behalf XI-Q bonds as follows:

- XI-Q Tax Exempt Bond Series 2012 H, \$1,789, effective rate of 1.0 percent for technology projects and construction due serially through 2017.

## | NOTES TO THE FINANCIAL STATEMENTS |

### For the Years Ended June 30, 2012 and 2011 (dollars in thousands)

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

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 0.5 percent to 6.7 percent, are due through 2033.

#### **E. Certificates of Participation**

Certificates of Participation (COPs) were 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 1.4 percent to 6.2 percent, are due through fiscal year 2035.

The State has not issued COPs on behalf of OUS since fiscal year 2010.

#### **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 0.25 percent to 5.3 percent, are due through fiscal year 2032.

During the fiscal year ended June 30, 2012, the State issued on OUS's behalf Lottery Bonds as follows:

- Taxable and Tax Exempt Series 2012 AC, \$1,859, average rate of 2.2 percent for technology projects and construction due serially through 2032.
- Taxable and Tax Exempt Series 2012 B, \$3,009, average rate of 1.8 percent for refunding due serially through 2018.

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.

#### **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, 2012 and 2011 was \$123 and \$274, 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, 2012 and 2011, long-term debt of OUS that relates to OHSU was \$46,698 and \$50,462, 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, 2012, OUS issued \$73,830 in XI-F(1) bonds with an average interest rate of 4.3 percent to refund \$78,515 in XI-F(1) bonds with an average interest rate of 4.99 percent. The net proceeds of the bonds were \$88,442 (after bond premium of \$15,007 and payment of \$395 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$8,454. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 18 years by \$9,572 and resulted in an economic gain of \$8,084.

During the year ended June 30, 2012, OUS issued \$26,650 in XI-G bonds with an average interest rate of 3.9 percent to refund \$28,090 in XI-G bonds with an average interest rate of 4.27 percent. The net proceeds of the bonds were \$30,250 (after bond premium of \$3,749 and payment of \$148 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$76. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 17 years by \$3,333 and resulted in an economic gain of \$2,766.

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

During the year ended June 30, 2012, OUS issued \$3,009 in Lottery Bonds with an average interest rate of 4.5 percent to refund \$3,550 in Lottery Bonds with an average interest rate of 4.5 percent. The net proceeds of the bonds were \$3,459 (after bond premium of \$467 and payment of \$17 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$154. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by \$555 and resulted in an economic gain of \$490.

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

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 \$165,225 at June 30, 2012 and \$185,772 at June 30, 2011 none of which was related to OHSU at 2012 and \$47 which related to OHSU at 2011.

## **J. Capital Leases**

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$705 and \$797 as of June 30, 2012 and 2011, respectively. Accumulated depreciation of leased equipment totaled \$182 and \$158 for June 30, 2012 and 2011, 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 6.0 percent to 13.4 percent with a weighted average interest rate of 8.0 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 one to six 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**

PSU offered a retirement incentive program to eligible faculty and staff. In exchange for relinquishing tenure and/or resignation, this offer provides financial assistance with either a one-time cash incentive or an offset to post-retirement health care costs. Thirty-five employees accepted the one-time incentive payment which aggregated to \$884 and will be paid out in fiscal year 2013. Twelve employees accepted the health benefit subsidy and a \$428 liability will be paid out through fiscal year 2015.

OIT offered an early retirement incentive program to faculty and staff with the acceptance window closing October 31, 2011. Two employees accepted the offer to receive fixed health benefit subsidies until age 65, through 2019.

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, fiscal year 2014. 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 offered a tenure relinquishment plan that closed November 30, 2011. Faculty that accepted the plan retired December 31, 2011 and are receiving a fixed subsidy amount for health benefits covering the term until the faculty member turns 65. Two faculty members continue to receive payments under this plan through 2018.

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, 2012, nine retirees were participating in the health and benefits option of this plan.

Early retirement liabilities comprised \$1,764 and \$695 in Current Portion of Long-Term Liabilities and \$924 and \$1,196 in Long-Term Liabilities as of June 30, 2012 and 2011, respectively. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate ranging from 0.25 to 6.0 percent.



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

## 9. Unrestricted Net Assets

Unrestricted Net Assets comprised the following:

|                                       | June 30,<br>2012  | June 30,<br>2011  |
|---------------------------------------|-------------------|-------------------|
| Education and General Funds           | \$ 185,001        | \$214,674         |
| Designated Operating Funds            | 35,584            | 35,319            |
| Service Department Funds              | 6,550             | 4,351             |
| Housing Funds                         | 40,101            | 34,709            |
| Intercollegiate Athletics Funds       | (13,877)          | (14,614)          |
| Other Auxiliary Funds and Other Funds | 65,681            | 55,058            |
| Repair and Replacements Funds         | 23,982            | 16,576            |
| Unrestricted Endowment Funds          | 2,744             | 2,883             |
|                                       | <u>\$ 345,766</u> | <u>\$ 348,956</u> |

## 10. Investment Activity

Investment Activity detail is as follows:

|  | June 30,<br>2012 | June 30,<br>2011 |
|--|------------------|------------------|
| Interest Income                          | \$ 6,621         | \$ 2,871         |
| Net Appreciation of Investments          | 7,315            | 17,845           |
| Royalties and Technology Transfer Income | 16,874           | 13,047           |
| Endowment Income                         | 2,559            | 2,608            |
| Trust Income Distribution                | (2,546)          | (2,603)          |
| Gain (Loss) on Sale of Investment        | 594              | (2,257)          |
| Dividend Income                          | 1                | 2                |
| Other                                    | (33)             | -                |
|  | <u>\$ 31,385</u> | <u>\$ 31,513</u> |

## 11. Operating Expenses by Natural Classification

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

|                               | June 30,<br>2012    | June 30,<br>2011    |
|-------------------------------|---------------------|---------------------|
| Compensation and Benefits     | \$ 1,465,576        | \$ 1,356,730        |
| Services and Supplies         | 515,310             | 502,708             |
| Scholarships and Fellowships  | 132,488             | 128,005             |
| Depreciation and Amortization | 124,963             | 113,725             |
| Other Expenses                | 11,510              | 2,711               |
|                               | <u>\$ 2,249,847</u> | <u>\$ 2,103,879</u> |

## 12. Government Appropriations

Government appropriations comprised the following:

|                               | June 30, 2012         |                  |                   |
|-------------------------------|-----------------------|------------------|-------------------|
|                               | General<br>Operations | Debt<br>Service  | Total             |
| <b>General Fund</b>           | \$ 284,924            | \$ 43,369        | \$ 328,293        |
| <b>Lottery Funding</b>        | 4,366                 | 5,747            | 10,113            |
| <b>Harvest Tax</b>            | 3,486                 |                  | 3,486             |
| <b>Total State</b>            | 292,776               | 49,116           | 341,892           |
| <b>Federal Appropriations</b> | 8,009                 |                  | 8,009             |
| <b>County Appropriations</b>  | 7,047                 |                  | 7,047             |
| <b>Total Appropriations</b>   | <u>\$ 307,832</u>     | <u>\$ 49,116</u> | <u>\$ 356,948</u> |

|                             | June 30, 2011         |                  |                   |
|-----------------------------|-----------------------|------------------|-------------------|
|                             | General<br>Operations | Debt<br>Service  | 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)           |
| <b>Total State</b>          | 369,748               | 36,686           | 406,434           |
| Federal Appropriations      | 10,235                |                  | 10,235            |
| County Appropriations       | 6,762                 |                  | 6,762             |
| <b>Total Appropriations</b> | <u>\$ 386,745</u>     | <u>\$ 36,686</u> | <u>\$ 423,431</u> |

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



Student — PSU

### **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 9.55 and 2.06 percent for the fiscal years ended 2012 and 2011, respectively.

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

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a

percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 5.95 percent. Payroll assessments for the fiscal years ended June 30, 2012 and 2011 were \$31,399 and \$28,574, 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 8.05 percent for the fiscal year ended 2012 and 2.84 percent for 2011.

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, 2010. The valuation included projected payroll 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, 2010, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$58.6 billion and \$767.6 million, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$45.3 billion and \$659.0 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

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking on the internet at [http://www.oregon.gov/PERS/section/financial\\_reports/2011\\_cafr.pdf](http://www.oregon.gov/PERS/section/financial_reports/2011_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, 2012 and 2011 were \$45,165 and \$11,282, 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:

|                  | 2012   | 2011   |
|------------------|--------|--------|
| ORP Tier One     | 16.14% | 11.89% |
| ORP Tier Two     | 16.14% | 11.89% |
| OPSRP Equivalent | 6.21%  | 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 forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. 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 OSU 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.

### Supplemental Retirement Plan

OUS maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to certain university presidents upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2012, the plan was fully funded.

### Summary of Pension Payments

OUS total payroll for the year ended June 30, 2012 was \$980,444, of which \$774,652 was subject to retirement contributions. The following schedule lists payments made by OUS to pension plans for the fiscal year:

|                   | June 30, 2012                 |                                 |                               |                                 |
|-------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|                   | Employer<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll | Employee<br>Contri-<br>bution | As a % of<br>Covered<br>Payroll |
| <b>PERS/OPSRP</b> | \$ 45,165                     | 5.83%                           | \$ 30,167                     | 3.89%                           |
| <b>ORP</b>        | 27,765                        | 3.59%                           | 14,938                        | 1.93%                           |
| <b>TIAA-CREF</b>  | 231                           | 0.03%                           | 231                           | 0.03%                           |
| <b>Federal</b>    | 413                           | 0.05%                           | 129                           | 0.02%                           |
| <b>FERS - TSP</b> | 117                           | 0.02%                           | 342                           | 0.04%                           |
| <b>SRP</b>        | 418                           | 0.05%                           | -                             | 0.00%                           |
|                   | <b>\$ 74,109</b>              | <b>9.57%</b>                    | <b>\$ 45,807</b>              | <b>5.91%</b>                    |

Of the employee share, the employer paid \$29,830 of PERS/OPSRP, \$14,860 of ORP, and \$231 of TIAA-CREF during the fiscal year ended June 30, 2012. The federal contributions of \$129 represent FERS and CSRS employees, and the \$342 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 2012.



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

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:

|            | June 30, 2011            |                                 |                          |                                 |
|------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
|            | Employer<br>Contribution | As a % of<br>Covered<br>Payroll | Employee<br>Contribution | As a % of<br>Covered<br>Payroll |
| PERS/OPSRP | \$ 11,282                | 1.53%                           | \$ 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%                           |
| SRP        | 437                      | 0.06%                           | -                        | 0.00%                           |
|            | <u>\$ 34,089</u>         | <u>4.63%</u>                    | <u>\$ 43,529</u>         | <u>5.92%</u>                    |

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.

#### 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 28 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 2012.

*Funding Policy.* OUS’s current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2012 and 2011, OUS paid healthcare insurance premiums of \$196,526 and \$184,453, respectively. The portion of the insurance premiums

attributable to the implicit rate subsidy was estimated to be \$2,479 and \$2,404 for the fiscal years ended 2012 and 2011, 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:

|  | June 30,<br>2012 | June 30,<br>2011 |
|--|------------------|------------------|
| Annual Required Contribution               | \$ 5,498         | \$ 4,681         |
| Interest on Net OPEB Obligation            | 534              | 515              |
| Adjustment to Annual Required Contribution | <u>(1,017)</u>   | <u>(730)</u>     |
| Annual OPEB Cost                           | 5,015            | 4,466            |
| Contributions Made                         | <u>(2,479)</u>   | <u>(2,404)</u>   |
| Increase in Net OPEB Obligation            | 2,536            | 2,062            |
| Net OPEB Obligation - Beginning of Year    | <u>14,116</u>    | 12,054           |
| Net OPEB Obligation - End of Year          | <u>\$ 16,652</u> | <u>\$ 14,116</u> |



Research - OSU

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

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 2012 and 2011 were as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------|------------------|--|---------------------|
| 2012       | \$ 5,499         | 54%  | \$ 2,536            |
| 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 June 30, 2012 and 2011 were as follows:

|   | June 30, 2012 | June 30, 2011 |
|---|---------------|---------------|
| Actuarial Accrued Liabilities   | \$ 42,593     | \$ 41,250     |
| Actuarial Value of Plan Assets  | -             | -             |
| Unfunded Actuarial Accrued Liability                                    | \$ 42,593     | \$ 41,250     |
| Funded Ratio  | 0.00%         | 0.00%         |
| Covered Payroll (active plan members)                                   | \$ 730,999    | \$ 660,903    |
| Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll | 5.83%         | 6.24%         |

Actuarial valuations, prepared biannually, 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:

|                                     | June 30, 2012               | June 30, 2011                 |
|-------------------------------------|-----------------------------|-------------------------------|
| Actuarial Valuation Date            | 7/1/2011                    | 7/1/2009                      |
| Actuarial Cost Method               | Entry Age Normal            | Entry Age Normal              |
| Amortization Method                 | Level Percentage            | Level Dollar                  |
| Amortization Period                 | 15 Years (open)             | 30 Years (open)               |
| Investment Rate of Return           | 3.5%                        | 4.0%                          |
| Projected Salary Increases          | N/A                         | N/A                           |
| Initial Healthcare Inflation Rates  | 4% (medical), 2.7% (dental) | 8.4% (medical), 5.8% (dental) |
| Ultimate Healthcare Inflation Rates | 5.5% (medical), 5% (dental) | 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%  |
| 6/30/2012         | -                             | 42,593                                  | 42,593                    | 0.0%               | 730,999             | 5.8%  |

**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, 2012 and 2011, was \$6,796 and \$7,178, respectively.

**16. Risk Financing**

OUS participates in the state insurance fund managed by the State of Oregon Risk Management Division of the Department of Administrative Services (Division). By participating, OUS transfers the following risks to the state insurance fund:

- Direct physical loss or damage to OUS property
- Tort liability claims brought against OUS, its officers, employees or agents

- Workers' compensation
- Employee dishonesty

The fund is backed by commercial policies, an excess property policy with a limit of \$400 million, and a blanket commercial excess bond with a limit of \$20 million. The Division purchases commercial insurance for specific insurance needs 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

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

Association and the National Association of Intercollegiate Athletics, and to provide coverage for special events and student liability.

ORS 351.096, passed in the 2011 legislative session, authorizes the State Board of Higher Education to operate a self-insurance program. Accordingly, OUS has elected to begin its own self-insurance program starting July 1, 2012. Accordingly, the OUS insurance fund was established on July 1, 2012 and OUS will no longer participate in the state insurance fund in future years. Outstanding liabilities of \$12.2 million will be transferred to OUS in fiscal year 2013. There were no material claims liabilities filed subsequent to June 30, 2012.

## 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 \$210,775 and \$394,866 at June 30, 2012 and 2011, 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, 2012.

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 un-

der 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, 2012.

### Construction Commitments as of June 30, 2012

| Campus/Project Description                                    | Total<br>Commitment | Completed<br>to Date | Outstanding<br>Commitment |
|---|---------------------|----------------------|---------------------------|
| <b>Eastern Oregon University:</b>                             |                     |                      |                           |
| Pierce Library  | \$ 8,250            | \$ 6,292             | \$ 1,958                  |
| Hoke Center   | 3,000               | 280                  | 2,720                     |
| Zabel Hall  | 2,706               | 1,818                | 888                       |
| <b>Oregon Institute of Technology:</b>                        |                     |                      |                           |
| Geothermal Power Plant  | 4,000               | 3,112                | 888                       |
| <b>Oregon State University:</b>                               |                     |                      |                           |
| Collaborative Life Sciences Building                          | 28,949              | 2,496                | 26,453                    |
| Sports Performance Center                                     | 15,000              | 1,367                | 13,633                    |
| Strand Agriculture Hall                                       | 13,437              | 724                  | 12,713                    |
| Student Success Center  | 11,946              | 9,164                | 2,782                     |
| Animal Research Pavilion                                      | 10,240              | 3,729                | 6,511                     |
| Deferred Maintenance  | 6,879               | 1,547                | 5,332                     |
| Cauthorn/Poling Remodel                                       | 6,500               | 2,361                | 4,139                     |
| Sacket Hall Renovation  | 6,500               | 300                  | 6,200                     |
| Cultural Centers  | 6,280               | 1,464                | 4,816                     |
| Reser Phase 2 - Gill Annex                                    | 6,000               | 1,959                | 4,041                     |
| New Energy Center   | 5,500               | 4,086                | 1,414                     |
| Steam Line Repair   | 3,000               | 1,427                | 1,573                     |
| Prothro/Reser Field Renovation                                | 2,500               | 1,707                | 793                       |
| Owen Hall Remodel   | 1,400               | 606                  | 794                       |
| Arnold Dining Remodel   | 1,275               | 682                  | 593                       |
| <b>Portland State University:</b>                             |                     |                      |                           |
| Collaborative Life Sciences Building                          | 41,315              | 5,913                | 35,402                    |
| Blumel Hall Remodel   | 7,000               | 493                  | 6,507                     |
| Capital Repair  | 4,400               | 1,168                | 3,232                     |
| Science Research and Teaching Center                          | 2,500               | -                    | 2,500                     |
| Student Building Fee Projects                                 | 1,400               | 132                  | 1,268                     |
| Moves   | 1,391               | 434                  | 957                       |
| Campus Wide Critical Repair                                   | 1,000               | -                    | 1,000                     |
| <b>Southern Oregon University:</b>                            |                     |                      |                           |
| Churchill Hall  | 2,730               | 251                  | 2,479                     |
| Capital Repair  | 3,550               | 453                  | 3,097                     |
| <b>University of Oregon:</b>                                  |                     |                      |                           |
| East Campus Residence Hall                                    | 68,000              | 58,729               | 9,271                     |
| Integrative Science Complex                                   | 60,500              | 57,685               | 2,815                     |
| Allen Hall Expansion  | 12,497              | 6,136                | 6,361                     |
| Capital Repair  | 11,070              | 9,242                | 1,828                     |
| Zebra Fish Expansion  | 9,487               | 2,148                | 7,339                     |
| Central Power Station   | 8,200               | 5,016                | 3,184                     |
| Straub Hall   | 4,421               | 1,083                | 3,338                     |
| Information Technologies                                      | 2,000               | 1,426                | 574                       |
| <b>Western Oregon University:</b>                             |                     |                      |                           |
| Live and Learn Residence Hall                                 | 10,000              | 9,199                | 801                       |
| Capital Repairs   | 5,669               | 4,259                | 1,410                     |
| Health Wellness Center  | 3,100               | 2,313                | 787                       |
| <b>Projects with &lt;\$500 thousand remaining to be spent</b> |                     |                      |                           |
|   | 74,133              | 70,297               | 3,836                     |
| <b>Project Budgets &lt;\$1 million</b>                        |                     |                      |                           |
|   | 33,623              | 19,075               | 14,548                    |
|   | <b>\$ 511,348</b>   | <b>\$ 300,573</b>    | <b>\$ 210,775</b>         |



Lokey Laboratories — UO



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (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, 2012 and 2011, except for Eastern Oregon University Foundation reporting for December 31, 2011 and 2010.

During the years ended June 30, 2012 and 2011, gifts of \$119,429 and \$132,260, 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 35th 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



Students — OIT

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

**Component Units  
Combining Financial Statements**

**Statements of Financial Position**

As of June 30, 2012

|   | Eastern<br>Oregon<br>University<br>Foundation * | Oregon<br>Tech<br>Foundation | Oregon<br>State<br>University<br>Foundation |
|---|---|------------------------------|---|
| <b>ASSETS</b>   |   |                              |   |
| Cash and Cash Equivalents                                 | \$ 1,751  | \$ 214                       | \$ 10,509                                   |
| Contributions, Pledges and Grants Receivable, Net         | 1,122   | 2,148                        | 44,460                                      |
| Investments   | 5,686   | 18,207                       | 488,110                                     |
| Prepaid or Deferred Expenses, and Other Assets            | 401   | 273                          | 15,399                                      |
| Property and Equipment, Net                               | 1,118   | 305                          | 12,801                                      |
| <b>Total Assets</b>                                       | <b>\$ 10,078</b>                                | <b>\$ 21,147</b>             | <b>\$ 571,279</b>                           |
| <b>LIABILITIES</b>  |   |                              |   |
| Accounts Payable and Accrued Liabilities                  |   | \$ 18                        | \$ 10,819                                   |
| Accounts Payable to Universities                          |   | 81                           | 3,888                                       |
| Obligations to Beneficiaries of Split-Interest Agreements |   | 1,236                        | 26,358                                      |
| Deposits and Deferred Revenue                             | \$ 173  |                              |   |
| Long-Term Liabilities                                     |   | 2,719                        |   |
| <b>Total Liabilities</b>                                  | <b>\$ 173</b>                                   | <b>\$ 4,054</b>              | <b>\$ 41,065</b>                            |
| <b>NET ASSETS</b>   |   |                              |   |
| Unrestricted Surplus (Deficit)                            | \$ 609  | \$ 8,523                     | \$ (9,717)                                  |
| Temporarily Restricted                                    | 3,781   | 2,828                        | 222,739                                     |
| Permanently Restricted                                    | 5,515   | 5,742                        | 317,192                                     |
| <b>Total Net Assets</b>                                   | <b>\$ 9,905</b>                                 | <b>\$ 17,093</b>             | <b>\$ 530,214</b>                           |

**Statements of Activities**

For the Year Ended June 30, 2011

|   |                 |                  |                   |
|---|-----------------|------------------|-------------------|
| <b>REVENUES</b>   |                 |                  |                   |
| Grants, Bequests and Gifts  | \$ 800          | \$ 1,257         | \$ 67,644         |
| Interest and Dividends  |                 |                  | 12,866            |
| Investment Income, Net  | (81)            | (1,229)          | (12,890)          |
| Change in Value of Life Income Agreements                                   | (12)            | (67)             | (720)             |
| Other Revenues  | 280             | 11               | 13,953            |
| <b>Total Revenues</b>   | <b>987</b>      | <b>(28)</b>      | <b>80,853</b>     |
| <b>EXPENSES</b>   |                 |                  |                   |
| General and Administrative  | 310             | 563              | 17,453            |
| Development Expenses  |                 |                  |                   |
| University Support  | 358             | 713              | 52,166            |
| Other Expenses  |                 | 150              | 7,103             |
| <b>Total Expenses</b>   | <b>668</b>      | <b>1,426</b>     | <b>76,722</b>     |
| <b>Increase (Decrease) In Net Assets Before Other Changes in Net Assets</b> | <b>319</b>      | <b>(1,454)</b>   | <b>4,131</b>      |
| Other Changes In Net Assets   | 123             |                  |                   |
| <b>Increase (Decrease) In Net Assets</b>                                    | <b>442</b>      | <b>(1,454)</b>   | <b>4,131</b>      |
| <b>NET ASSETS</b>   |                 |                  |                   |
| Beginning Balance   | 9,463           | 18,547           | 526,083           |
| <b>Ending Balance</b>   | <b>\$ 9,905</b> | <b>\$ 17,093</b> | <b>\$ 530,214</b> |

\* As of December 31, 2011

**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

| Portland<br>State<br>University<br>Foundation | Southern<br>Oregon<br>University<br>Foundation | University<br>of<br>Oregon<br>Foundation | Western<br>Oregon<br>University<br>Development<br>Foundation | Agricultural<br>Research<br>Foundation | Total<br>Component<br>Units |
|---|--|--|--|--|-----------------------------|
| \$ 1,088                                      | \$ 3,631                                       | \$ 11,759                                | \$ 1,678   | \$ 863                                 | \$ 31,493                   |
| 3,384   | 85   | 130,990                                  | 52   |  | 182,241                     |
| 61,150  | 18,168   | 653,081                                  | 11,844   | 22,437                                 | 1,278,683                   |
| 8,499   | 730  | 11,832                                   | 475  |  | 37,609                      |
| 36,472  | 1,412  |  | 174  | 34                                     | 52,316                      |
| <b>\$ 110,593</b>                             | <b>\$ 24,026</b>                               | <b>\$ 807,662</b>                        | <b>\$ 14,223</b>   | <b>\$ 23,334</b>                       | <b>\$ 1,582,342</b>         |
| \$ 1,443                                      | \$ 25  | \$ 7,815                                 |  |  | \$ 20,120                   |
| 255   | 363  | 37                                       |  |  | 4,624                       |
| 922   | 536  | 42,741                                   | \$ 1,102   |  | 72,895                      |
| 173   | 167  | 11,253                                   |  |  | 11,766                      |
| 48,073  | 835  | 25,221                                   |  |  | 76,848                      |
| <b>\$ 50,866</b>                              | <b>\$ 1,926</b>                                | <b>\$ 87,067</b>                         | <b>\$ 1,102</b>  | <b>\$ -</b>                            | <b>\$ 186,253</b>           |
| \$ (3,858)                                    | \$ (277)                                       | \$ 4,241                                 | \$ 1,004   | \$ 2,564                               | \$ 3,089                    |
| 30,110  | 3,823  | 363,394                                  | 4,234  | 19,865                                 | 650,774                     |
| 33,475  | 18,554   | 352,960                                  | 7,883  | 905                                    | 742,226                     |
| <b>\$ 59,727</b>                              | <b>\$ 22,100</b>                               | <b>\$ 720,595</b>                        | <b>\$ 13,121</b>   | <b>\$ 23,334</b>                       | <b>\$ 1,396,089</b>         |
| \$ 15,925                                     | \$ 3,450                                       | \$ 90,506                                | \$ 2,867   | \$ 7,401                               | \$ 189,850                  |
|   | 491  | 3,558                                    | 327  |  | 17,242                      |
| (1,437)                                       | (576)  | 3,618                                    | (46)   | 2,480                                  | (10,161)                    |
|   | (20)   | 827                                      |  |  | 8                           |
| 8,525   | 982  | 457                                      | 204  |  | 24,412                      |
| <b>23,013</b>                                 | <b>4,327</b>                                   | <b>98,966</b>                            | <b>3,352</b>   | <b>9,881</b>                           | <b>221,351</b>              |
| 1,860   | 784  | 6,646                                    | 153  |  | 27,769                      |
|   |  |  |  | 6,842                                  | 6,842                       |
| 19,523  | 1,800  | 86,448                                   | 1,187  |  | 162,195                     |
|   | 13   |  |  |  | 7,266                       |
| <b>21,383</b>                                 | <b>2,597</b>                                   | <b>93,094</b>                            | <b>1,340</b>   | <b>6,842</b>                           | <b>204,072</b>              |
| <b>1,630</b>                                  | <b>1,730</b>                                   | <b>5,872</b>                             | <b>2,012</b>   | <b>3,039</b>                           | <b>17,279</b>               |
|   |  |  |  |  | 123                         |
| <b>1,630</b>                                  | <b>1,730</b>                                   | <b>5,872</b>                             | <b>2,012</b>   | <b>3,039</b>                           | <b>17,402</b>               |
| 58,097  | 20,370   | 714,723                                  | 11,109   | 20,295                                 | 1,378,687                   |
| <b>\$ 59,727</b>                              | <b>\$ 22,100</b>                               | <b>\$ 720,595</b>                        | <b>\$ 13,121</b>   | <b>\$ 23,334</b>                       | <b>\$ 1,396,089</b>         |



**| NOTES TO THE FINANCIAL STATEMENTS |**  
**For the Years Ended June 30, 2012 and 2011 (dollars in thousands)**

**Component Units  
Combining Financial Statements**

**Statements of Financial Position**

As of June 30, 2011

|   | Eastern<br>Oregon<br>University<br>Foundation * | Oregon<br>Tech<br>Foundation | Oregon<br>State<br>University<br>Foundation |
|---|---|------------------------------|---|
| <b>ASSETS</b>                                     |   |                              |   |
| Cash and Cash Equivalents                         | \$ 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>                           |

**LIABILITIES**

|   |             |                 |                  |
|---|-------------|-----------------|------------------|
| 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> |

**NET ASSETS**

|                                |                 |                  |                   |
|--------------------------------|-----------------|------------------|-------------------|
| 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> |

**Statements of Activities**

For the Year Ended June 30, 2011

**REVENUES**

|   |              |              |                |
|---|--------------|--------------|----------------|
| 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> |

**EXPENSES**

|                               |              |              |               |
|-------------------------------|--------------|--------------|---------------|
| 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> |

**NET ASSETS**

|                       |                 |                  |                   |
|-----------------------|-----------------|------------------|-------------------|
| 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, 2012 and 2011 (dollars in thousands)**

| Portland<br>State<br>University<br>Foundation | Southern<br>Oregon<br>University<br>Foundation | University<br>of<br>Oregon<br>Foundation | Western<br>Oregon<br>University<br>Development<br>Foundation | Agricultural<br>Research<br>Foundation | Total<br>Component<br>Units |
|---|--|--|--|--|-----------------------------|
| \$ 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>         |

| SUPPLEMENTARY SCHEDULES |

**Consolidating Statement of Net Assets**

| As of June 30, 2012                             | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>ASSETS</b>                                   |                                 |                                      |                               |
| <b>Current Assets</b>                           |                                 |                                      |                               |
| Cash and Cash Equivalents                       | \$ 6,084                        | \$ 8,167                             | \$ 138,702                    |
| Collateral from Securities Lending              | -                               | -                                    | -                             |
| Accounts Receivable, Net                        | 5,431                           | 3,095                                | 64,031                        |
| Accounts Receivable from Component Units        | -                               | (159)                                | 10,387                        |
| Notes Receivable, Net                           | 313                             | 575                                  | 5,151                         |
| Inventories                                     | 568                             | 92                                   | 1,956                         |
| Prepaid Expenses                                | 24                              | 1,946                                | 3,976                         |
| <b>Total Current Assets</b>                     | <b>12,420</b>                   | <b>13,716</b>                        | <b>224,203</b>                |
| <b>Noncurrent Assets</b>                        |                                 |                                      |                               |
| Cash and Cash Equivalents                       | 5,099                           | 3,840                                | 81,247                        |
| Investments                                     | 1,296                           | 246                                  | 31,560                        |
| Notes Receivable, Net                           | 1,104                           | 2,469                                | 21,682                        |
| Due From Other OUS Funds and Entities           | -                               | -                                    | -                             |
| Capital Assets, Net of Accumulated Depreciation | 64,842                          | 72,571                               | 765,715                       |
| <b>Total Noncurrent Assets</b>                  | <b>72,341</b>                   | <b>79,126</b>                        | <b>900,204</b>                |
| <b>TOTAL ASSETS</b>                             | <b>\$ 84,761</b>                | <b>\$ 92,842</b>                     | <b>\$ 1,124,407</b>           |
| <b>LIABILITIES</b>                              |                                 |                                      |                               |
| <b>Current Liabilities</b>                      |                                 |                                      |                               |
| Accounts Payable and Accrued Liabilities        | \$ 5,166                        | \$ 3,197                             | \$ 40,242                     |
| Deposits  | 409                             | 363                                  | 6,545                         |
| Obligations Under Securities Lending            | -                               | -                                    | -                             |
| Current Portion of Long-Term Liabilities        | 1,203                           | 1,459                                | 25,613                        |
| Unearned Revenue                                | 2,051                           | 3,508                                | 31,774                        |
| <b>Total Current Liabilities</b>                | <b>8,829</b>                    | <b>8,527</b>                         | <b>104,174</b>                |
| <b>Noncurrent Liabilities</b>                   |                                 |                                      |                               |
| Long-Term Liabilities                           | 43,520                          | 29,058                               | 251,610                       |
| Due to Other OUS Funds and Entities             | 12,288                          | 26,586                               | 244,233                       |
| <b>Total Noncurrent Liabilities</b>             | <b>55,808</b>                   | <b>55,644</b>                        | <b>495,843</b>                |
| <b>TOTAL LIABILITIES</b>                        | <b>\$ 64,637</b>                | <b>\$ 64,171</b>                     | <b>\$ 600,017</b>             |
| <b>NET ASSETS</b>                               |                                 |                                      |                               |
| Invested in Capital Assets, Net of Related Debt | \$ 11,485                       | \$ 19,460                            | \$ 323,782                    |
| Restricted For:                                 |                                 |                                      |                               |
| Nonexpendable Endowments                        | 554                             | -                                    | 3,373                         |
| Expendable:                                     |                                 |                                      |                               |
| Gifts, Grants, and Contracts                    | 1,043                           | 389                                  | 37,933                        |
| Student Loans                                   | 1,700                           | 3,500                                | 34,062                        |
| Capital Projects                                | (138)                           | (1,440)                              | 18,884                        |
| Debt Service                                    | 14                              | 29                                   | 181                           |
| Unrestricted Net Assets                         | 5,466                           | 6,733                                | 106,175                       |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 20,124</b>                | <b>\$ 28,671</b>                     | <b>\$ 524,390</b>             |



| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Adjustments and Eliminations | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|------------------------------|---------------------|
| \$ 80,019                 | \$ 12,480                  | \$ 191,241           | \$ 24,772                 | \$ 84,139           | \$ (277,564)                 | \$ 268,040          |
| -                         | -                          | -                    | -                         | 58,388              |                              | 58,388              |
| 64,160                    | 8,668                      | 47,875               | 7,113                     | 7,797               |                              | 208,170             |
| -                         | -                          | 7,959                | -                         | -                   |                              | 18,187              |
| 1,604                     | 697                        | 5,488                | 842                       | 4,711               |                              | 19,381              |
| 420                       | 589                        | 2,968                | 1,013                     | -                   |                              | 7,606               |
| 1,749                     | 46                         | 5,987                | 246                       | 19,889              | (8,188)                      | 25,675              |
| 147,952                   | 22,480                     | 261,518              | 33,986                    | 174,924             | (285,752)                    | 605,447             |
| 59,460                    | 5,098                      | 52,950               | 7,610                     | 50,465              |                              | 265,769             |
| 2,200                     | 1,799                      | 26,295               | 64                        | 10,741              | 283,693                      | 357,894             |
| 6,341                     | 2,872                      | 14,052               | 3,121                     | 41,986              |                              | 93,627              |
| -                         | -                          | -                    | -                         | 751,671             | (751,671)                    | -                   |
| 447,084                   | 78,766                     | 1,097,933            | 102,197                   | 1,230               |                              | 2,630,338           |
| 515,085                   | 88,535                     | 1,191,230            | 112,992                   | 856,093             | (467,978)                    | 3,347,628           |
| <b>\$ 663,037</b>         | <b>\$ 111,015</b>          | <b>\$ 1,452,748</b>  | <b>\$ 146,978</b>         | <b>\$ 1,031,017</b> | <b>\$ (753,730)</b>          | <b>\$ 3,953,075</b> |
| \$ 27,472                 | \$ 5,347                   | \$ 43,615            | \$ 5,885                  | \$ 49,003           |                              | \$ 179,927          |
| 2,475                     | 885                        | 3,733                | 944                       | 1,093               |                              | 16,447              |
| -                         | -                          | -                    | -                         | 58,388              |                              | 58,388              |
| 13,504                    | 3,220                      | 18,603               | 2,105                     | 61,647              |                              | 127,354             |
| 24,264                    | 3,007                      | 54,651               | 2,607                     | 1,586               | (2,059)                      | 121,389             |
| 67,715                    | 12,459                     | 120,602              | 11,541                    | 171,717             | (2,059)                      | 503,505             |
| 235,448                   | 42,937                     | 410,206              | 46,881                    | 825,276             |                              | 1,884,936           |
| 141,745                   | 13,865                     | 263,700              | 49,326                    | -                   | (751,743)                    | -                   |
| 377,193                   | 56,802                     | 673,906              | 96,207                    | 825,276             | (751,743)                    | 1,884,936           |
| <b>\$ 444,908</b>         | <b>\$ 69,261</b>           | <b>\$ 794,508</b>    | <b>\$ 107,748</b>         | <b>\$ 996,993</b>   | <b>\$ (753,802)</b>          | <b>\$ 2,388,441</b> |
| \$ 116,035                | \$ 20,699                  | \$ 457,007           | \$ 9,642                  | \$ (30,375)         |                              | \$ 927,735          |
| 1,285                     | 1,812                      | 7,409                | 2                         | 2,111               |                              | 16,546              |
| 1,415                     | 1,145                      | 30,987               | 892                       | 2,391               |                              | 76,195              |
| 8,516                     | 4,257                      | 25,135               | 6,122                     | (18)                |                              | 83,274              |
| 6,588                     | 4,571                      | 35,852               | 3,970                     | (6,288)             |                              | 61,999              |
| 9                         | 42                         | 35                   | 64                        | 52,745              |                              | 53,119              |
| 84,281                    | 9,228                      | 101,815              | 18,538                    | 13,458              | 72                           | 345,766             |
| <b>\$ 218,129</b>         | <b>\$ 41,754</b>           | <b>\$ 658,240</b>    | <b>\$ 39,230</b>          | <b>\$ 34,024</b>    | <b>\$ 72</b>                 | <b>\$ 1,564,634</b> |

## | SUPPLEMENTARY SCHEDULES |

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

| For The Year Ended June 30, 2012                        | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                               |                                 |                                      |                               |
| Student Tuition and Fees, Net                           | \$ 15,421                       | \$ 16,087                            | \$ 202,573                    |
| Federal Grants and Contracts                            | 1,897                           | 2,351                                | 170,951                       |
| State and Local Grants and Contracts                    | 1,173                           | (130)                                | 7,708                         |
| Nongovernmental Grants and Contracts                    | 82                              | 476                                  | 20,603                        |
| Educational Department Sales and Services               | 203                             | 447                                  | 31,770                        |
| Auxiliary Enterprises Revenues, Net                     | 6,596                           | 7,185                                | 109,245                       |
| Other Operating Revenues                                | 320                             | 339                                  | 9,189                         |
| <b>Total Operating Revenues</b>                         | <b>25,692</b>                   | <b>26,755</b>                        | <b>552,039</b>                |
| <b>OPERATING EXPENSES</b>                               |                                 |                                      |                               |
| Instruction   | 16,718                          | 22,346                               | 193,636                       |
| Research  | 330                             | 625                                  | 173,714                       |
| Public Service  | 1,950                           | 520                                  | 81,878                        |
| Academic Support  | 5,301                           | 4,808                                | 53,066                        |
| Student Services  | 2,367                           | 2,791                                | 24,262                        |
| Auxiliary Programs                                      | 8,548                           | 8,339                                | 119,439                       |
| Institutional Support                                   | 5,299                           | 4,762                                | 52,258                        |
| Operation and Maintenance of Plant                      | 2,915                           | 2,615                                | 30,463                        |
| Student Aid   | 5,456                           | 3,972                                | 26,257                        |
| Other Operating Expenses                                | 3,149                           | 3,399                                | 47,032                        |
| <b>Total Operating Expenses</b>                         | <b>52,033</b>                   | <b>54,177</b>                        | <b>802,005</b>                |
| <b>Operating Loss</b>                                   | <b>(26,341)</b>                 | <b>(27,422)</b>                      | <b>(249,966)</b>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |                                 |                                      |                               |
| Government Appropriations                               | 13,505                          | 15,290                               | 143,027                       |
| Grants  | 9,204                           | 6,710                                | 41,232                        |
| Investment Activity                                     | 97                              | 104                                  | 7,603                         |
| (Loss) Gain on Sale of Assets, Net                      | -                               | 11                                   | 92                            |
| Interest Expense  | (2,855)                         | (2,890)                              | (24,270)                      |
| Other Nonoperating Items                                | 12                              | 1,520                                | 42,336                        |
| <b>Net Nonoperating Revenues</b>                        | <b>19,963</b>                   | <b>20,745</b>                        | <b>210,020</b>                |
| <b>Income (Loss) Before Other Nonoperating Revenues</b> | <b>(6,378)</b>                  | <b>(6,677)</b>                       | <b>(39,946)</b>               |
| Capital and Debt Service Appropriations                 | 2,860                           | 1,679                                | 13,811                        |
| Capital Grants and Gifts                                | -                               | 1,439                                | 14,954                        |
| Additions to Permanent Endowments                       | -                               | -                                    | 140                           |
| Transfers within OUS                                    | 2,246                           | 866                                  | 4,363                         |
| <b>Total Other Nonoperating Revenues</b>                | <b>5,106</b>                    | <b>3,984</b>                         | <b>33,268</b>                 |
| <b>Increase (Decrease) In Net Assets</b>                | <b>(1,272)</b>                  | <b>(2,693)</b>                       | <b>(6,678)</b>                |
| <b>NET ASSETS</b>                                       |                                 |                                      |                               |
| Beginning Balance                                       | 21,396                          | 31,364                               | 531,068                       |
| <b>Ending Balance</b>                                   | <b>\$ 20,124</b>                | <b>\$ 28,671</b>                     | <b>\$ 524,390</b>             |

| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Adjustments and Eliminations | Total OUS           |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|------------------------------|---------------------|
| \$ 178,131                | \$ 27,870                  | \$ 324,442           | \$ 29,920                 |                     |                              | \$ 794,444          |
| 52,811                    | 2,161                      | 105,064              | 8,975                     | \$ 5,720            | \$ (6,221)                   | 343,709             |
| 7,683                     | 806                        | 6,201                | 1,193                     | 616                 |                              | 25,250              |
| 9,577                     | 699                        | 7,933                | 124                       | 1,003               |                              | 40,497              |
| 5,680                     | 1,975                      | 13,935               | 649                       | 39,522              | (39,474)                     | 54,707              |
| 69,726                    | 18,816                     | 132,949              | 21,397                    | -                   |                              | 365,914             |
| 6,387                     | 811                        | 10,964               | 1,827                     | 2,967               |                              | 32,804              |
| <b>329,995</b>            | <b>53,138</b>              | <b>601,488</b>       | <b>64,085</b>             | <b>49,828</b>       | <b>(45,695)</b>              | <b>1,657,325</b>    |
| 157,752                   | 30,460                     | 227,624              | 32,967                    | 1,108               |                              | 682,611             |
| 50,409                    | 879                        | 78,408               | 2,664                     | 17                  | (6,000)                      | 301,046             |
| 10,154                    | 3,015                      | 38,986               | 553                       | 5,527               |                              | 142,583             |
| 33,699                    | 7,051                      | 43,510               | 6,902                     | -                   |                              | 154,337             |
| 17,032                    | 4,761                      | 31,486               | 5,964                     | -                   |                              | 88,663              |
| 71,248                    | 18,107                     | 149,627              | 23,994                    | -                   |                              | 399,302             |
| 28,354                    | 5,739                      | 61,999               | 4,340                     | 13,265              | (26)                         | 175,990             |
| 22,091                    | 3,547                      | 32,327               | 3,959                     | -                   |                              | 97,917              |
| 31,134                    | 6,831                      | 14,490               | 7,236                     | 1                   |                              | 95,377              |
| 21,445                    | 4,113                      | 27,209               | 5,520                     | 375                 | (221)                        | 112,021             |
| <b>443,318</b>            | <b>84,503</b>              | <b>705,666</b>       | <b>94,099</b>             | <b>20,293</b>       | <b>(6,247)</b>               | <b>2,249,847</b>    |
| <b>(113,323)</b>          | <b>(31,365)</b>            | <b>(104,178)</b>     | <b>(30,014)</b>           | <b>29,535</b>       | <b>(39,448)</b>              | <b>(592,522)</b>    |
| 55,124                    | 12,974                     | 44,810               | 13,808                    | 9,294               |                              | 307,832             |
| 51,498                    | 11,454                     | 32,607               | 14,979                    | -                   |                              | 167,684             |
| 1,112                     | 160                        | 13,100               | 263                       | 8,946               |                              | 31,385              |
| (311)                     | (1)                        | (122)                | (130)                     | (877)               |                              | (1,338)             |
| (19,558)                  | (2,857)                    | (29,980)             | (4,240)                   | (35,757)            | 39,448                       | (82,959)            |
| (2,563)                   | 3,362                      | 55,374               | 871                       | (3,923)             |                              | 96,989              |
| <b>85,302</b>             | <b>25,092</b>              | <b>115,789</b>       | <b>25,551</b>             | <b>(22,317)</b>     | <b>39,448</b>                | <b>519,593</b>      |
| <b>(28,021)</b>           | <b>(6,273)</b>             | <b>11,611</b>        | <b>(4,463)</b>            | <b>7,218</b>        | <b>-</b>                     | <b>(72,929)</b>     |
| 10,715                    | 3,005                      | 9,932                | 2,991                     | 4,123               |                              | 49,116              |
| 4,663                     | 2,184                      | 9,928                | 672                       | 35                  |                              | 33,875              |
| -                         | -                          | 19                   | -                         | -                   |                              | 159                 |
| (512)                     | 940                        | 1,650                | 343                       | (9,968)             | 72                           | -                   |
| <b>14,866</b>             | <b>6,129</b>               | <b>21,529</b>        | <b>4,006</b>              | <b>(5,810)</b>      | <b>72</b>                    | <b>83,150</b>       |
| <b>(13,155)</b>           | <b>(144)</b>               | <b>33,140</b>        | <b>(457)</b>              | <b>1,408</b>        | <b>72</b>                    | <b>10,221</b>       |
| 231,284                   | 41,898                     | 625,100              | 39,687                    | 32,616              |                              | 1,554,413           |
| <b>\$ 218,129</b>         | <b>\$ 41,754</b>           | <b>\$ 658,240</b>    | <b>\$ 39,230</b>          | <b>\$ 34,024</b>    | <b>\$ 72</b>                 | <b>\$ 1,564,634</b> |



| SUPPLEMENTARY SCHEDULES |

**Consolidating Statement of Cash Flows**

| For the Year Ended June 30, 2012  | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                                 |                                      |                               |
| Tuition and Fees  | \$ 15,384                       | \$ 16,003                            | \$ 213,379                    |
| Grants and Contracts  | 3,920                           | 3,253                                | 198,899                       |
| Educational Department Sales and Services                                   | 204                             | 441                                  | 31,858                        |
| Auxiliary Enterprise Operations   | 6,513                           | 7,005                                | 109,532                       |
| Student Loan Collections  | 309                             | 327                                  | 5,373                         |
| Payments to Employees for Compensation and Benefits                         | (32,841)                        | (34,456)                             | (511,820)                     |
| Payments to Suppliers   | (2,641)                         | (10,990)                             | (201,881)                     |
| Student Financial Aid   | (5,755)                         | (4,166)                              | (37,357)                      |
| Student Loan Issuance and Costs   | (217)                           | (445)                                | (3,612)                       |
| Other Operating Receipts  | (3,952)                         | 245                                  | 4,909                         |
| <b>Net Cash Used by Operating Activities</b>                                | <b>(19,076)</b>                 | <b>(22,783)</b>                      | <b>(190,720)</b>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                                 |                                      |                               |
| Government Appropriations   | 13,506                          | 15,290                               | 143,027                       |
| Grants  | 9,204                           | 6,710                                | 41,231                        |
| Private Gifts Received for Endowment Purposes                               | -                               | -                                    | -                             |
| Other Gifts and Private Contracts   | 351                             | 1,956                                | 42,270                        |
| Net Agency Fund Receipts (Payments)   | (244)                           | 398                                  | (2,856)                       |
| Net Transfers from (to) Other Funds and OUS Universities                    | (248)                           | 80                                   | (137)                         |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                 | <b>22,569</b>                   | <b>24,434</b>                        | <b>223,535</b>                |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                                 |                                      |                               |
| Capital Appropriations  | -                               | -                                    | -                             |
| Debt Service Appropriations   | 2,861                           | 1,680                                | 13,812                        |
| Capital Grants and Gifts  | -                               | 1,439                                | 14,954                        |
| Bond Proceeds from Capital Debt   | -                               | -                                    | 2,000                         |
| Sales of Capital Assets   | 30                              | 662                                  | 1,788                         |
| Purchases of Capital Assets   | (10,352)                        | (6,932)                              | (98,973)                      |
| Interest Payments on Capital Debt   | (3,103)                         | (3,001)                              | (24,589)                      |
| Principal Payments on Capital Debt  | (2,892)                         | (1,645)                              | (15,717)                      |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b> | <b>(13,456)</b>                 | <b>(7,797)</b>                       | <b>(106,725)</b>              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                                 |                                      |                               |
| Net Sales (Purchases) of Investments  | 946                             | -                                    | 701                           |
| Interest on Investments and Cash Balances                                   | 137                             | 111                                  | 8,581                         |
| Interest Income from Securities Lending                                     | -                               | -                                    | -                             |
| Interest Expense from Securities Lending                                    | -                               | -                                    | -                             |
| <b>Net Cash Provided (Used) by Investing Activities</b>                     | <b>1,083</b>                    | <b>111</b>                           | <b>9,282</b>                  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                            | <b>(8,880)</b>                  | <b>(6,035)</b>                       | <b>(64,628)</b>               |
| <b>CASH AND CASH EQUIVALENTS</b>  |                                 |                                      |                               |
| Beginning Balance   | 20,063                          | 18,042                               | 284,577                       |
| <b>Ending Balance</b>   | <b>\$ 11,183</b>                | <b>\$ 12,007</b>                     | <b>\$ 219,949</b>             |

| Portland State University | Southern Oregon University | University of Oregon | Western Oregon University | Chancellor's Office | Adjustments and Eliminations | Total OUS         |
|---------------------------|----------------------------|----------------------|---------------------------|---------------------|------------------------------|-------------------|
| \$ 172,289                | \$ 27,285                  | \$ 322,851           | \$ 29,444                 | \$ (455)            |                              | \$ 796,180        |
| 62,700                    | 3,740                      | 130,546              | 10,473                    | 7,179               | \$ (6,220)                   | 414,490           |
| 5,701                     | 1,976                      | 14,072               | 650                       | 39,522              | (39,448)                     | 54,976            |
| 68,957                    | 18,513                     | 134,215              | 21,263                    | -                   |                              | 365,998           |
| 1,406                     | 580                        | 4,038                | 808                       | -                   |                              | 12,841            |
| (277,144)                 | (53,445)                   | (462,427)            | (56,948)                  | 6,546               |                              | (1,422,535)       |
| (78,363)                  | (13,699)                   | (169,518)            | (22,931)                  | (66,802)            | 6,220                        | (560,605)         |
| (33,975)                  | (6,903)                    | (34,233)             | (8,562)                   | (1,538)             |                              | (132,489)         |
| (995)                     | (413)                      | (3,159)              | (731)                     | -                   |                              | (9,572)           |
| (1,997)                   | (608)                      | 1,991                | 1,922                     | 2,974               |                              | 5,484             |
| <b>(81,421)</b>           | <b>(22,974)</b>            | <b>(61,624)</b>      | <b>(24,612)</b>           | <b>(12,574)</b>     | <b>(39,448)</b>              | <b>(475,232)</b>  |
| 55,124                    | 12,972                     | 44,810               | 13,809                    | 9,294               |                              | 307,832           |
| 51,498                    | 11,454                     | 32,608               | 14,979                    | -                   |                              | 167,684           |
| -                         | -                          | 13                   | -                         | -                   |                              | 13                |
| 6,734                     | 3,091                      | 53,311               | 643                       | 95                  |                              | 108,451           |
| (1,539)                   | (190)                      | (2,678)              | (111)                     | (3,419)             |                              | (10,639)          |
| (14,959)                  | 61                         | (9,386)              | (139)                     | 24,728              |                              | -                 |
| <b>96,858</b>             | <b>27,388</b>              | <b>118,678</b>       | <b>29,181</b>             | <b>30,698</b>       | <b>-</b>                     | <b>573,341</b>    |
| -                         | -                          | -                    | -                         | -                   |                              | -                 |
| 10,715                    | 3,006                      | 9,932                | 2,991                     | (2,224)             |                              | 42,773            |
| 17,151                    | 2,184                      | 9,561                | 672                       | 34                  |                              | 45,995            |
| -                         | -                          | 2,000                | -                         | -                   |                              | 4,000             |
| 343                       | 5                          | 866                  | 179                       | 877                 |                              | 4,750             |
| (27,704)                  | (6,878)                    | (133,587)            | (7,078)                   | (15)                |                              | (291,519)         |
| (27,883)                  | (2,990)                    | (28,721)             | (4,610)                   | (31,799)            | 39,448                       | (87,248)          |
| (13,030)                  | (3,997)                    | (16,271)             | (2,521)                   | (2,303)             |                              | (58,376)          |
| <b>(40,408)</b>           | <b>(8,670)</b>             | <b>(156,220)</b>     | <b>(10,367)</b>           | <b>(35,430)</b>     | <b>39,448</b>                | <b>(339,625)</b>  |
| 45                        | 1,002                      | 177                  | -                         | 1,760               | (109,234)                    | (104,603)         |
| 1,181                     | 216                        | 13,658               | 265                       | 1,986               |                              | 26,135            |
| -                         | -                          | -                    | -                         | 188                 |                              | 188               |
| -                         | -                          | -                    | -                         | (188)               |                              | (188)             |
| <b>1,226</b>              | <b>1,218</b>               | <b>13,835</b>        | <b>265</b>                | <b>3,746</b>        | <b>(109,234)</b>             | <b>(78,468)</b>   |
| <b>(23,745)</b>           | <b>(3,038)</b>             | <b>(85,331)</b>      | <b>(5,533)</b>            | <b>(13,560)</b>     | <b>(109,234)</b>             | <b>(319,984)</b>  |
| 163,224                   | 20,616                     | 329,522              | 37,915                    | 148,164             | (168,330)                    | <b>853,793</b>    |
| <b>\$ 139,479</b>         | <b>\$ 17,578</b>           | <b>\$ 244,191</b>    | <b>\$ 32,382</b>          | <b>\$ 134,604</b>   | <b>\$ (277,564)</b>          | <b>\$ 533,809</b> |

| SUPPLEMENTARY SCHEDULES |

**Consolidating Statement of Cash Flows - Continued**

| For the Year Ended June 30, 2012  | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>                                  |                                 |                                      |                               |
| <b>BY OPERATING ACTIVITIES</b>  |                                 |                                      |                               |
| Operating Loss  | \$ (26,341)                     | \$ (27,422)                          | \$ (249,966)                  |
| Adjustments to Reconcile Operating Loss to Net Cash (Used)                                |                                 |                                      |                               |
| Provided by Operating Activities:   |                                 |                                      |                               |
| Depreciation Expense  | 3,276                           | 2,902                                | 46,083                        |
| Changes in Assets and Liabilities:  |                                 |                                      |                               |
| Accounts Receivable   | (3,726)                         | (199)                                | 24,509                        |
| Notes Receivable  | 62                              | (128)                                | 1,080                         |
| Inventories   | (39)                            | 359                                  | (452)                         |
| Prepaid Expenses  | (18)                            | (636)                                | 1,064                         |
| Accounts Payable and Accrued Liabilities  | 3,408                           | 1,142                                | (5,354)                       |
| Long-Term Liabilities   | 4,160                           | 736                                  | 9,265                         |
| Deposits  | 4                               | 7                                    | 64                            |
| Unearned Revenue  | 138                             | 456                                  | (17,013)                      |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  | <b>\$ (19,076)</b>              | <b>\$ (22,783)</b>                   | <b>\$ (190,720)</b>           |
| <b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL</b>                               |                                 |                                      |                               |
| <b>AND RELATED FINANCING TRANSACTIONS</b>   |                                 |                                      |                               |
| Capital Assets Acquired by Incurring Capital Lease Obligations                            | \$ 15                           | \$ -                                 | \$ -                          |
| Capital Assets Acquired by Gifts in Kind  | -                               | 143                                  | 2,855                         |
| Increase in Fair Value of Investments Recognized as a<br>Component of Investment Activity | (41)                            | (8)                                  | (892)                         |



| Portland<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Adjustments<br>and<br>Eliminations | Total<br>OUS        |
|---------------------------------|----------------------------------|----------------------------|---------------------------------|------------------------|------------------------------------|---------------------|
| \$ (113,323)                    | \$ (31,365)                      | \$ (104,178)               | \$ (30,014)                     | \$ 29,535              | \$ (39,448)                        | \$ (592,522)        |
| 22,644                          | 4,054                            | 40,953                     | 4,783                           | 268                    |                                    | 124,963             |
| (19,450)                        | (2,569)                          | 4,766                      | (172)                           | (774)                  |                                    | 2,385               |
| 522                             | 246                              | 9,473                      | 247                             | -                      |                                    | 11,502              |
| 6                               | 69                               | (548)                      | 31                              | -                      |                                    | (574)               |
| (31)                            | (12)                             | (1,242)                    | (27)                            | (3,154)                |                                    | (4,056)             |
| 12,043                          | 1,358                            | (9,649)                    | (834)                           | 14,738                 |                                    | 16,852              |
| 18,704                          | 4,979                            | 8,530                      | 1,335                           | (53,354)               |                                    | (5,645)             |
| 132                             | 27                               | 61                         | -                               | -                      |                                    | 295                 |
| (2,668)                         | 239                              | (9,790)                    | 39                              | 167                    |                                    | (28,432)            |
| <b>\$ (81,421)</b>              | <b>\$ (22,974)</b>               | <b>\$ (61,624)</b>         | <b>\$ (24,612)</b>              | <b>\$ (12,574)</b>     | <b>\$ (39,448)</b>                 | <b>\$ (475,232)</b> |

|      |      |       |      |       |      |       |
|------|------|-------|------|-------|------|-------|
| \$ - | \$ - | \$ -  | \$ - | \$ -  | \$ - | \$ 15 |
| 309  | 142  | 3,495 | 120  | -     | -    | 7,064 |
| (69) | (56) | (808) | (2)  | 9,191 | -    | 7,315 |

| SUPPLEMENTARY SCHEDULES |

**Consolidating Statement of Net Assets**

| As of June 30, 2011                             | Eastern<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>ASSETS</b>                                   |                                 |                                      |                               |
| <b>Current Assets</b>                           |                                 |                                      |                               |
| Cash and Cash Equivalents                       | \$ 8,217                        | \$ 12,868                            | \$ 155,758                    |
| Collateral from Securities Lending              | -                               | -                                    | -                             |
| Accounts Receivable, Net                        | 4,585                           | 2,823                                | 71,779                        |
| Accounts Receivable from Component Units        | -                               | 234                                  | 10,765                        |
| 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                        |
| Unearned 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               |                              | 194,174             |
| 12                        | -                          | 11,084               | -                         | -                   |                              | 22,095              |
| 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              |
| 146,078                   | 23,222                     | 242,741              | 35,136                    | 354,658             | (168,831)                    | 913,849             |
| 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<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>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                               | 111,550                       |
| Institutional Support                                   | 5,492                           | 4,773                                | 48,100                        |
| 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 | Adjustments and 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                      | 17,958               | 668                       | 37                  |                              | 56,396              |
| 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>556,058</b>       | <b>61,754</b>             | <b>11,048</b>       | <b>(6,062)</b>               | <b>1,552,327</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                     | 137,416              | 21,092                    | -                   |                              | 366,157             |
| 23,894                    | 4,819                      | 59,169               | 4,694                     | 12,089              |                              | 163,030             |
| 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>660,126</b>       | <b>90,460</b>             | <b>18,662</b>       | <b>(6,062)</b>               | <b>2,103,879</b>    |
| <b>(99,212)</b>           | <b>(29,363)</b>            | <b>(104,068)</b>     | <b>(28,706)</b>           | <b>(7,614)</b>      | <b>-</b>                     | <b>(551,552)</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                        | 14,079               | 101                       | 3,561               |                              | 31,513              |
| (462)                     | (4)                        | (186)                | -                         | -                   |                              | (201)               |
| (16,000)                  | (2,779)                    | (21,173)             | (3,826)                   | (5,941)             |                              | (76,765)            |
| 5,232                     | 3,167                      | 65,899               | 232                       | 113                 |                              | 115,093             |
| <b>110,767</b>            | <b>27,942</b>              | <b>154,208</b>       | <b>27,955</b>             | <b>6,054</b>        | <b>-</b>                     | <b>608,922</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<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|---|---------------------------------|--------------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                                 |                                      |                               |
| Tuition and Fees  | \$ 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<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Adjustments<br>and<br>Eliminations | Total<br>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                            | 17,783                     | 720                             | 66                     |                                    | 56,191            |
| 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)                         | (133,655)                  | (21,553)                        | (1,089)                | 6,062                              | (480,229)         |
| (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>(39,746)</b>            | <b>(21,742)</b>                 | <b>(3,503)</b>         | <b>-</b>                           | <b>(396,734)</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)                          | (224,581)                  | (30,353)                        | (897)                  |                                    | (458,616)         |
| (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>(144,930)</b>           | <b>(21,761)</b>                 | <b>23,546</b>          | <b>-</b>                           | <b>(227,558)</b>  |
| 74                              | 207                              | -                          | -                               | 1,897                  | (168,330)                          | (166,140)         |
| 409                             | 125                              | 10,584                     | 92                              | (4,731)                |                                    | 14,088            |
| -                               | -                                | -                          | -                               | 736                    |                                    | 736               |
| -                               | -                                | -                          | -                               | (736)                  |                                    | (736)             |
| <b>483</b>                      | <b>332</b>                       | <b>10,584</b>              | <b>92</b>                       | <b>(2,834)</b>         | <b>(168,330)</b>                   | <b>(152,052)</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<br>Oregon<br>University | Oregon<br>Institute of<br>Technology | Oregon<br>State<br>University |
|--|---------------------------------|--------------------------------------|-------------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>                                       |                                 |                                      |                               |
| <b>BY OPERATING ACTIVITIES</b>   |                                 |                                      |                               |
| Operating Loss   | \$ (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                            |
| Unearned 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<br>State<br>University | Southern<br>Oregon<br>University | University<br>of<br>Oregon | Western<br>Oregon<br>University | Chancellor's<br>Office | Adjustments<br>and<br>Eliminations | Total<br>OUS        |
|---------------------------------|----------------------------------|----------------------------|---------------------------------|------------------------|------------------------------------|---------------------|
| \$ (99,212)                     | \$ (29,363)                      | \$ (104,068)               | \$ (28,706)                     | \$ (7,614)             | -                                  | \$ (551,552)        |
| 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                               | 23,259                     | (3,072)                         | (1,775)                |                                    | 23,912              |
| 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>\$ (39,746)</b>         | <b>\$ (21,742)</b>              | <b>\$ (3,503)</b>      | <b>-</b>                           | <b>\$ (396,734)</b> |

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

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Oregon State Board of Higher Education  
Eugene, Oregon

Oregon Secretary of State Audits Division  
Salem, Oregon

We have audited the financial statements of Oregon University System (System) and its aggregate discretely presented component units, as of and for the year ended June 30, 2012, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 and correct 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 the 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.

*CliftonLarsonAllen LLP*

Austin, Minnesota  
October 31, 2012

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

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You may view financial reports at  
[www.ous.edu/dept/cont-div/accounting-reporting/annualfinreport](http://www.ous.edu/dept/cont-div/accounting-reporting/annualfinreport)  
or visit the OUS home page at [www.ous.edu](http://www.ous.edu)



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