



Oregon University System

2014 Annual Financial Report



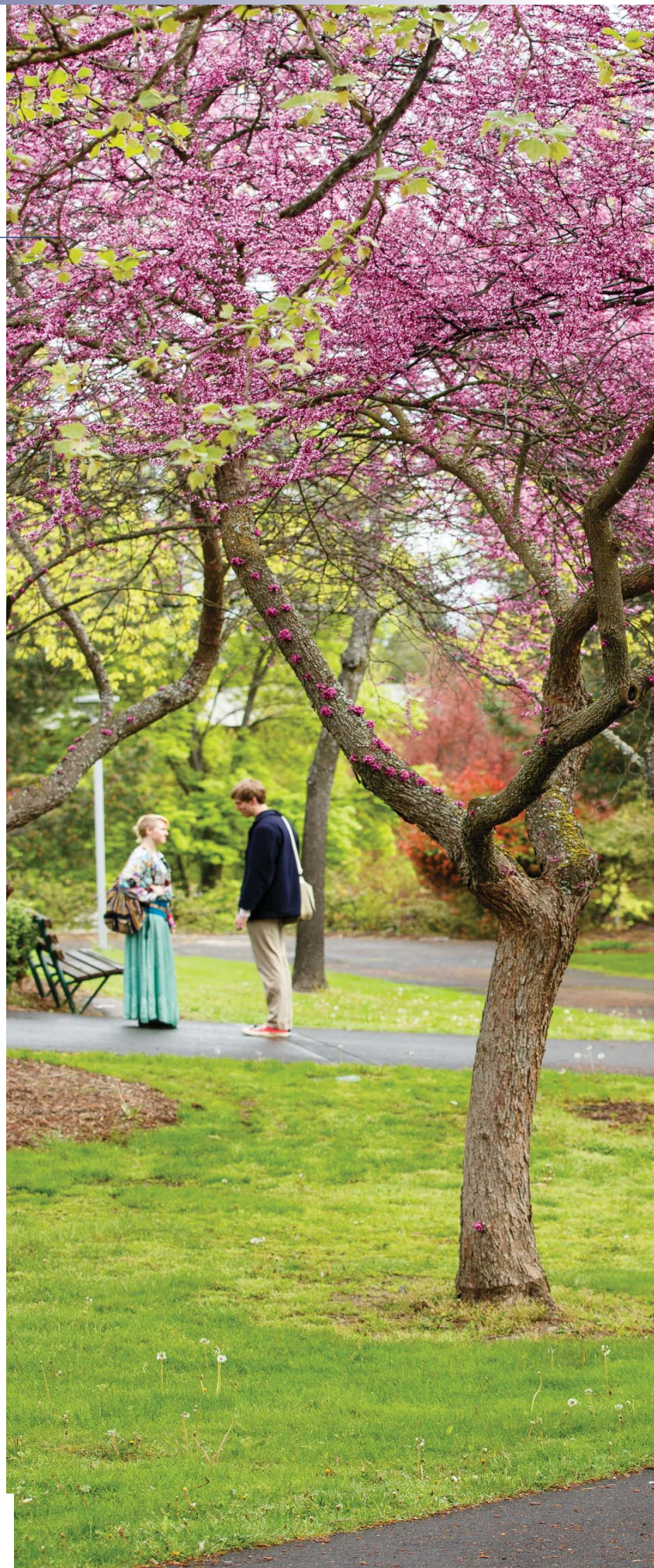
Eastern Oregon University | Oregon Institute of Technology | Oregon State University
Portland State University | Southern Oregon University
University of Oregon | Western Oregon University



Oregon University System 2014 Annual Report

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STATE BOARD OF HIGHER EDUCATION

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Emily J. Plec	Monmouth
Kirk E. Schueler	Bend
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OREGON UNIVERSITY SYSTEM EXECUTIVE OFFICERS

Cathy Dyck <i>Acting Chancellor and CFO</i>
Ryan J. Hagemann <i>Legal Counsel</i>
Diana Barkelew <i>Interim Controller</i>
Kathy Berg <i>Chief Audit Executive</i>
Robert G. Kieran <i>Assistant Vice Chancellor for Institutional Research and Planning</i>
Charles L. Triplett III <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—Oregon Tech, 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. Oregon Tech 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 1868 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 Acting Chancellor

This past year reflects great change for the state of Oregon and its institutions of public higher education. Aside from growth in enrollment and degrees awarded, and an over-arching focus on tuition, access and affordability, Oregon has undergone major reforms by way of institutional governing boards for its public universities and additional authority being granted to the Higher Education Coordinating Commission (HECC). In short, these efforts have focused on maximizing student success and persistence, institutional flexibility and coordination of the P-20 continuum in an effort to reach Oregon's 40-40-20 goal.

Improving Student Access and Affordability

Oregon's public universities have carried forward the tradition of accessible, high-quality academic programs. As a national leader in enrollment and degree production, the Oregon University System's commitment to efficiency and affordability demonstrates the flexibility of public universities during a time in which state resources are limited and highlights the diligence of faculty and staff to serve students in a variety of ways. As of Fall 2013, OUS institutions enrolled over 100,000 students, including 80,000 undergraduate students, and accepted over 5,000 transfer students from Oregon's community colleges. In the Spring of 2014, OUS institutions awarded over 16,000 undergraduate degrees. From affordable programs, to student support services and co-curricular opportunities, students are utilizing pathways that lead them toward degree completion and workforce connections.

A source of pride for Oregon University System campuses is the Tuition Freeze for the 2014-15 academic year. The State Board of Higher Education approved a "freeze" on tuition for resident undergraduates, locking in tuition at the 2013-14 rates. The groundwork for the freeze was laid by the Governor and Legislature during the 2013 legislative session and Fall 2013 special session, which provided \$40 million in additional state funding in order to reduce tuition increases in 2013-14, and freeze tuition during the 2014-15 academic year. The Board's decision to freeze tuition was endorsed by institutional governing boards at Oregon State University (OSU), Portland State University (PSU), and the University of Oregon (UO). The last time a freeze occurred in the Oregon University System was in 2001.

Transfer of Responsibilities to the Higher Education Coordinating Commission and Universities

Over the course of the last year, Oregon University System staff created a work plan to delegate and transfer statewide coordinating functions from the State Board of Higher Education to the HECC. As part of the transition, the work plan detailed responsibilities and transition points for the HECC, with many responsibilities being articulated in House Bill (HB) 3120C. In addition, a matrix was developed detailing the transition of work from OUS for academic strategies, budget, financial oversight and services. Letters explaining the transition of responsibilities were sent to stakeholders at the state and national level.

Moving forward, the HECC will be responsible for statewide coordinating, including but not limited to; academic program approvals, institutional missions, biennial budget recommendations and capital project requests.

In addition to the delegation and transfer of authority to the HECC, individual universities have also absorbed duties and responsibilities formerly held by OUS. For example, university presidents have agreed to continue the President's Council and to convene the statewide Provost Council and Administrative Council in order to stay connected and provide valuable feedback to the HECC and the Oregon Education Investment Board (OEIB). In addition, many campuses have taken on the task of evaluating their involvement in various academic initiatives like the Learning Outcomes and Assessment Working Group and the College and Career Readiness Alliance, allowing institutions the flexibility to prioritize their engagement based on their mission and readiness to participate.

Governance Changes

In response to legislation passed during the 2013 legislative session, a working group on University Shared Services was established to look for efficiencies in essential operating functions, which have previously been provided by OUS. All seven public universities are participating in shared services (formally known



Acting Chancellor Cathy Dyck

Message from the Acting Chancellor — Continued

as the University Shared Services Enterprise or USSE) through at least June 30, 2015. Universities have been granted the flexibility to opt-in and opt-out of shared services based on the needs and capacity of the institution. Mandatory shared services (through June 30, 2015) include employee benefits, risk management, and collective bargaining. Other optional shared services include: financial accounting and reporting, treasury operations and internal bank, payroll services, and fifth site operations.

In addition to the creation of the USSE, institutional boards for OSU, PSU, and UO became operational on July 1, 2014 with those institutions becoming separate legal entities. This will, therefore, be the last consolidated financial statement for all seven Public Universities. However, the Chancellor's Office will continue to provide support to the Technical and Regional Universities (TRU) by way of the State Board of Higher Education through June 30, 2015. On July 1, 2015, the TRU institutions will become separate legal entities with their own institutional governing boards.

This is certainly an interesting time for higher education in Oregon. OUS staff continues to work hard for the benefit of Oregon's public universities and students.

Thank you to everyone that supports our students, faculty and staff. With 40-40-20 as the state's education north star, we all look forward to realizing the benefits of this important investment.



Cathy Dyck
Acting Chancellor



OSU

Top University Accomplishments



- EOU was ranked first for affordability among Oregon's colleges and universities offering online degrees in a survey conducted by Affordable Colleges Online.
- Shakira Bandolin received the National Outstanding Medical Student Award from the National College of Emergency Room Physicians. She is a 2009 EOU biochemistry graduate completing her residency at UC Davis School of Medicine.
- Oregon Society of CPAs Circle of Excellence honored a record five EOU accounting students, each selected for their interest and participation in the accounting program and club.
- EOU joined Colleges of Distinction, a national guidebook of member institutions focusing on excellence in student engagement, quality teaching, vibrant campus communities and successful graduates.
- Chemistry Professor Anna Cavinato joined the 2013 class of American Chemical Society Fellows. Members are nominated by their peers and chosen by committee based on their outstanding achievements in scientific research, education and public service.



- Fall 2013 term saw record-high student enrollment of 4,414, bolstered by the new Wilsonville campus that began admitting students in fall 2012. The increase also reflects demand for Oregon Tech's specialized polytechnic degrees, which boast the highest return on investment ranking among Northwest universities.
- To better prepare cardiovascular ultrasound students to compete and thrive in the evolving healthcare environment, Oregon Tech partnered with Esaote North America to update department capabilities with five new Esaote MyLab® Seven ultrasound systems. These systems engage students in significant hands-on training time to learn both fundamental and advanced imaging techniques they'll routinely use once in the work place.
- Oregon Tech's Klamath Falls campus was the first in the nation to harness both geothermal and solar energy to produce 100% of its present and future electricity needs. Entirely

heated by geothermal water for several decades, Oregon Tech commissioned a 1.75-megawatt combined heat and electrical power plant to meet campus energy requirements; and installed a 2.0-megawatt solar array on 9 acres of campus land to accomplish total clean energy production.

- The Renewable Energy and Engineering Master's Degree Program received \$20,000 to conduct research to reduce carbon emissions from automobiles. Graduate students will research solutions for cleaner running cars through a grant from the National Institute for Transportation and Communities (NTIC) and the Oregon Transportation Research and Education Center (OTREC).
- After making news last year for the best return on investment (ROI) among colleges and universities in the Pacific Northwest, Oregon Tech has done it again, according to an annual report by the Seattle-based compensation data company PayScale. In a four-way tie, Oregon Institute of Technology is listed as 34th out of 1,312 for annual ROI, an assessment of long term financial returns for graduates of Oregon Tech.



- Oregon State University's growing research enterprise achieved its second highest level of funding support ever, in the fiscal year that ended June 30 – \$285 million in total grants and contracts to support work in public health, the environment, advanced engineering and projects to help develop Oregon's and the nation's economy.
- The Campaign for OSU – Oregon State's first comprehensive campaign – stood at \$1.06 billion as of June 30, 2014 with six more months until the official close of the campaign. The original campaign goal was \$625 million, which was increased to \$850 million and finally to \$1 billion. More than \$182 million has been raised for student scholarships, fellowships and awards.
- Oregon State launched the Oregon State University Advantage in 2013 to serve business partners – especially in the areas of innovative materials, advanced manufacturing, energy and clean technology, high tech, health care and innovation related to food, water and the environment.
- Oregon State's Ecampus program has expanded to offer more than 35 degree programs and is one of the nation's top-ranked programs for online education.

Top University Accomplishments - Continued



- The first step in Provost Sona Andrews' reTHINK PSU—the Provost's Challenge—has spawned 24 new funded projects, many of which are already beginning to bear fruit. For example, in the STEM area, faculty members working to rethink chemistry and biology education at PSU have submitted a 3-year, \$1.9 million grant application to the National Science Foundation. Also, the School of Social Work has begun a new fully Online Master of Social Work Degree in Community and Leadership Practice (95 students have applied for 40 slots).
- Besides being selected again this year as a U.S. News & World Report's "Top 10 Up-and-Coming National University," other 2014 accolades included top 50 U.S. News & World Report rankings for our City Management and Urban Policy, Public Affairs, Rehabilitation Counseling and Social Work programs. PSU was also a recipient of this year's Washington Center's National Civic Engagement Award.
- PSU's Urban Honors program has grown so much over the past two years (268 percent) that it has been elevated to an Honors College, Oregon's first and only in an urban setting. The college now has 600 students and has plans to grow to 650 by 2017, and statistics show that 85 percent of these students will go on to graduate school.
- Fiscal year 2014 was a record year for PSU faculty, students and staff competing for Fulbright scholarships. Faculty from the College of the Arts and the College of Liberal Arts and Sciences, as well as seven students from throughout the University and one staffer from International Affairs, were awarded Fulbrights this year.
- New undergraduate enrollment was up 7 percent this fall, reversing last year's flat enrollment. Our campus graduation rate was up again as well, as was the total number of degrees we awarded—6,400—another "all-time" record for Oregon. Of particular note is the progress we continue to make in serving Underrepresented Minority Students; student diversity increased again this year, from 27 to 29.2 percent.
- The two \$20 million bond match campaigns to renovate the Peter W. Stott Educational Center (aka, the Viking Pavilion) and expand the School of Business Administration continue apace. PSU has now raised \$16.3 million towards the SBA match: this is 82 percent of the total needed. The Stott Center/Viking Pavilion campaign has raised nearly 65 percent of the necessary funds.
- In Fall 2013, SOU launched the SOU Honors College with the first cohort of 25 students. In addition to intellectual rigor for top students, the program includes student projects internationally as well as locally, and a community mentor for each student in their area of professional interest. SOU is now participating in the National Collegiate Honors Council and Western Regional Honors Council (WRHC) and will host the WRHC conference in 2017.
- The SOU House Experience started with two themes in Fall 2013 – Green and Social Justice. SOU Houses are not buildings and not majors—they're new communities of learning and doing. Faculty, students, and staff collaborate across traditional majors to create novel academic experiences that involve active learning, real-world research/performance, adventure, career mentoring, and real-world application.
- In 2013, SOU launched its five acre Center for Sustainability to serve a regional hub of innovative sustainability training, leadership, and technology. Faculty and staff have worked closely with students to establish a greenhouse, barn, apiary, orchards, outdoor classrooms, and operational farm. In the spring of 2014 we launched the Raider Farm Stand with support from the Gordon Elwood Foundation. Students involved with the stand learn management, marketing, agroecology, and other valuable skills while providing low cost local fruits and vegetables to the student body.
- SOU was actively involved in multiple projects designed to achieve the Governor's 40-40-20 goals. As part of this work, SOU developed partnerships with regional school districts programs, regional community colleges and the Southern Oregon Success (SORS) collaborative to help create an Early Learning Hub (OEIB/ODE grant supported), a STEM Hub (OEIB/ODE sanctioned), and a Post-Secondary Success network (OEIB/ODE grant supported). SOU also joined with the SORS collaborative to receive a Regional Achievement Compact grant, and the SORS collaborative is one of two pilot projects for the Governor's Prosperity Initiative in Oregon. All of these projects will help students achieve success in the K-12 and the post-secondary educational sectors.
- The Student Health and Wellness Center at SOU has achieved accreditation by the Accreditation Association for Ambulatory Health Care (AAAHC). Accreditation distinguishes this integrated university medical/mental health center from many other outpatient facilities by providing the highest quality of care to its clients and patients as determined by an independent, external process of evaluation.

Top University Accomplishments - Continued



- The University of Oregon transitioned to independent governance under the UO Board of Trustees, creating opportunity for focused advocacy and more operational agility.
- The UO enrolled its most academically prepared and ethnically and socioeconomically diverse freshman class ever, advancing its mission of providing educational access to students.
- UO researchers submitted a record number of proposals for research, a 16.3 percent increase from the previous year. Among the many awards: the Department of Education awarded the UO a \$3.5 million grant to Prevention Science Institute researchers to provide custom interventions for Oregon students during early elementary school years and awarded an \$11.7 million dollar grant to education researchers to develop new models of student achievement.
- Five additional UO faculty members joined elite national academies. Additionally, chemistry professor Geraldine “Geri” Richmond was elected by her peers as president-elect of the prestigious American Association for the Advancement of Science.
- The UO opened the new 145,000 square foot Hatfield-Dowlin Football Performance center and added a new exhibition wing to the Museum of Natural and Cultural History. Progress was also made on the renovation of Straub Hall adding 1,000 new and renovated classroom seats, and the 110,000 square foot expansion of the Student Recreation Center, both of which are scheduled for completion in 2015. Construction also began on an 80,000 square foot renovation of the Erb Memorial Union.
- WOU’s new Elementary Mathematics Instructional Leader program (EMIL) received unanimous approval from the Oregon Teacher Standards and Practices Commission (TSPC) in March 2014, and will help meet needs for the Common Core State Standards and Practices for Mathematics (CCSSM). TSPC approved elementary mathematics specialization standards last spring and WOU’s new curriculum is the first Elementary Mathematics specialization program to be approved. The Elementary Mathematics specialization is similar to the Elementary Reading and Autism Spectrum Disorder specializations already established in elementary schools.
- The Mathematics Department held its tenth annual Sonia Kovalevsky Math Day, which is designed to encourage young women to continue their study of mathematics. Participants come from regional high schools and as far away as Coos Bay and Newport. Since its inception at WOU, the number of participants has more than doubled to 14 teachers and more than 100 girls as WOU alumni who participated as undergraduates have started bringing groups of their own students to the event.
- WOU completed extensive renovations to facilities for the Computer Science Division. WOU received a commitment of \$300,000 from former Oregon State Senator Frank and Linda Morse, in honor of Dr. Edward B. Wright, and designated the renovated space as the Edward B. Wright Center for Computing Sciences. The generous gift from the Morses was used to establish a scholarship endowment in Wright’s honor for current and future students studying computer science, information systems or computer science/mathematics.
- The U.S. Department of Justice Office on Violence Against Women awarded \$300,000 to the Teaching Research Institute to expand the campus collaboration on sexual violence prevention and response. The WOU Campus Against Sexual Assault program will include an expanded prevention and education program on sexual violence (offered through Abby’s House, the campus resource and referral center) for all students on campus, with particular emphasis on incoming first-year students. Furthermore, the continuing program will enhance sexual violence response services on campus through campus public safety and the office of student conduct, as well as strengthen partnerships with local community agencies.



- The Teaching Research Institute and College of Education received a \$200,000 grant from the Oregon Department of Education to support Project High Five – Culture, Collaboration, Commitment, Communication and Community. The project is a collaborative endeavor between WOU, Central School District (CSD) 13J, the Ella Curran Food Bank, and the Oregon Child Development Coalition to develop a strong Professional Development School partnership program between CSD and WOU and will advance the ability of teachers to meet the needs of culturally and/or linguistically diverse students, which is a key component of Oregon’s 40-40-20 goal.



INDEPENDENT AUDITORS' REPORT

Members of the State Board of Higher Education

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Oregon University System (the System), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the 2014 and 2013 financial statements of the discretely presented component units, which combined represent 100 percent of the assets, net position, and revenues of the discretely presented component units for 2014 and 2013. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of 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 System as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 (A), effective July 1, 2014, Portland State University, Oregon State University, and the University of Oregon each became independent public bodies separate from the System due to the passing of Senate Bill 270 (SB270). SB270 also contained language providing pathways for Eastern Oregon University, Oregon Tech, Southern Oregon University, and Western Oregon University to also become independent public bodies. Effective July 1, 2105, each public university will be a stand-alone legal entity.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 - 17 and the schedule of funding progress of Other Post Employment Benefits on page 66 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplementary schedules 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 was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Message from the Chancellor has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 20, 2014

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Management's Discussion and Analysis For the Years Ended June 30, 2014 and 2013 (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, 2014, 2013 and 2012. 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	2014	2013	2012	2011	2010
EOU	2,900	3,133	3,138	3,080	2,870
OIT	2,993	2,900	2,743	2,674	2,686
OSU	26,070	25,143	24,040	22,969	21,266
PSU	21,546	21,763	22,403	22,601	22,124
SOU	4,421	4,677	4,875	4,703	4,472
UO	24,268	24,418	24,543	23,716	22,635
WOU	4,928	5,134	5,257	5,214	4,891
Total System	87,126	87,168	86,999	84,957	80,944



UO

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 presentation (in all material respects) of the financial statements.

Statement of Net Position (SNP) presents a snapshot of OUS assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP 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 position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (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 seven supporting foundations, are discretely presented in the OUS financial statements and in Notes 2 and 19.

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 and prior year results in comparison to that year's prior year. Unless otherwise stated, all years refer to the fiscal year ended June 30.

STATEMENT OF NET POSITION

The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, and is an indicator of OUS's current financial condition. Changes in net position that occur over time indicate improvement or deterioration in OUS's financial condition. The following summarizes OUS assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

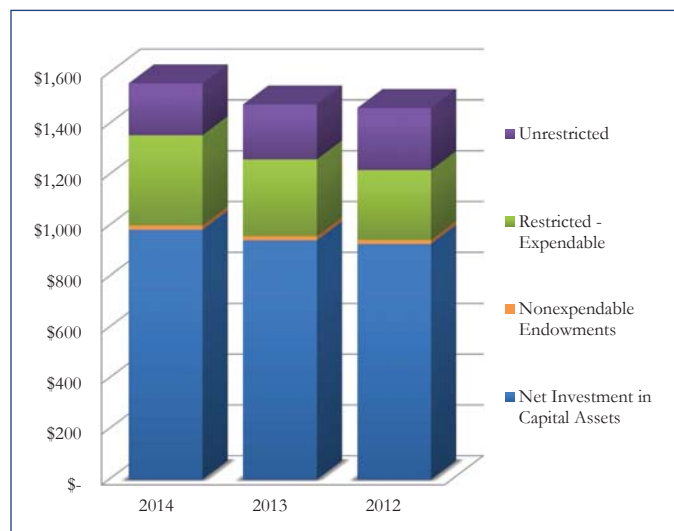
Management's Discussion and Analysis For the Years Ended June 30, 2014 and 2013 (dollars in millions)

Condensed Statement of Net Position

As of June 30,	2014	2013	2012
Current Assets	\$ 795	\$ 650	\$ 711
Noncurrent Assets	566	655	612
Capital Assets, Net	2,956	2,742	2,630
Total Assets	\$ 4,317	\$ 4,047	\$ 3,953
Deferred Outflows of Resources	\$ 35	\$ 43	\$ 24
Current Liabilities	\$ 540	\$ 495	\$ 508
Noncurrent Liabilities	2,252	2,118	2,006
Total Liabilities	\$ 2,792	\$ 2,613	\$ 2,514
Deferred Inflows of Resources	\$ -	\$ -	\$ -
Net Investment in Capital Assets	\$ 984	\$ 942	\$ 928
Restricted - Nonexpendable	17	17	16
Restricted - Expendable	355	303	275
Unrestricted	204	215	244
Total Net Position	\$ 1,560	\$ 1,477	\$ 1,463

Total Net Position

Changes to Total Assets reflected a larger increase than changes to Total Liabilities which caused Total Net Position to increase \$83 million, or 6%, during 2014 compared to a \$14 million, or 1%, increase in 2013. As illustrated by the following graph, the make-up of net position changed between 2014, 2013 and 2012.



Comparison of fiscal year 2014 to fiscal year 2013

- **Net Investment in Capital Assets** increased \$42 million. Capital asset increases of \$345 million were offset by a \$130 million increase to accumulated depreciation and a \$173 million increase to long-term debt outstanding attributable to the capital assets less unspent bond proceeds.
- **Restricted Expendable Net Assets** increased by \$52 million in 2014. Net assets relating to funds reserved for debt service increased by \$24 million mainly because OUS issued \$184 million in new debt which resulted in a larger amount

of debt service in the sinking funds reserve. Net assets relating to the funding of capital projects increased by \$16 million primarily as a result of an increase in the number of new construction and improvement projects in 2014. Net assets relating to gifts increased \$11 million due to an increase in gift revenues at OSU and UO.

- **Unrestricted Net Assets** decreased \$11 million. Unrestricted revenues increased \$108 million and unrestricted expenses increased \$121 million, resulting in a total unrestricted decrease of \$13 million.

Comparison of fiscal year 2013 to fiscal year 2012

- **Net Investment in Capital Assets** increased \$14 million. Capital asset increases of \$236 million were offset by a \$125 million increase to accumulated depreciation and a \$97 million increase to long-term debt outstanding attributable to the capital assets
- **Restricted Expendable Net Assets** increased by \$28 million in 2013. Net assets relating to funds reserved for debt service increased by \$9 million mainly because OUS issued \$133 million in new debt which resulted in a larger amount of debt service in the sinking funds reserve. Net assets relating to the funding of capital projects increased by \$15 million primarily as a result of an increase in the number of new construction and improvement projects in 2013. Net assets relating to gifts increased by \$4 million.
- **Unrestricted Net Assets** decreased \$29 million. Unrestricted revenue increased \$92 million; unrestricted expenses increased \$119 million resulting in an increase in total unrestricted operating loss of \$27 million.

Total Assets and Liabilities

Total Assets increased \$270 million, or 7%, and Total Liabilities increased \$179 million, or 7%, during the year ended 2014. Total Assets increased \$94 million, or 2%, and Total Liabilities increased \$99 million, or 4%, during the year ended 2013. 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 OUS. See "Note 2. Cash and Investments" for additional information relating to securities lending. Absent the securities lending balances, 2014 Total Assets increased \$257 million, or 7%, and Total Liabilities increased \$166 million, or 6%, and 2013 Total Assets increased \$119 million, or 3%, and Total Liabilities increased \$124 million, or 5%. Current assets exceed current obligations.

Management's Discussion and Analysis

For the Years Ended June 30, 2014 and 2013 (dollars in millions)

Comparison of fiscal year 2014 to fiscal year 2013

- **Current Assets** increased \$132 million, or 22%. Current cash and cash equivalents increased \$111 million due to the conversion of some investments to cash prior to the university governance changes effective July 1, 2014. Accounts receivable increased \$38 million. Receivables related to student tuition and housing revenues increased \$8 million. Receivables related to Component Units increased \$3 million. Other receivables increased \$33 million due to increases in receivables related to capital construction projects and debt service. Increases were offset by a \$13 million decrease in Federal Grants and Contracts receivable.
- **Noncurrent Assets** decreased \$92 million, or 14%. Year-end cash balances in capital construction funds decreased \$21 million compared to the prior year because of a spend down of prior borrowings on construction projects. Investments decreased \$66 million due to a change in the OUS investment strategy resulting from the change in university governance effective July 1, 2014. Notes Receivable decreased \$6 million.
- **Capital Assets, Net** increased \$214 million, or 8%. Capitalized acquisitions net of disposals and adjustments included \$331 million in real property and \$14 million in personal property. Accumulated depreciation increased by \$130 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Deferred Outflows of Resources** decreased \$9 million due to a decrease in the accrued gain/loss on refunding of previously held debt.
- **Current Liabilities** increased \$32 million, or 7%. Accrued Liabilities increased \$22 million or 14% due to an increase in accounts payable related to services and supplies. The current portion of Long-Term Liabilities increased \$12 million.
- **Noncurrent Liabilities** increased \$134 million, or 6%, primarily due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

Comparison of fiscal year 2013 to fiscal year 2012

- **Current Assets** decreased \$36 million, or 6%. Current cash and cash equivalents declined \$28 million in support of operations. Accounts receivable decreased \$5 million. Increases to receivables related to student tuition and housing revenues and Federal grants and contracts of \$15 million were offset by a \$21 million increase in allowances for bad debt.
- **Noncurrent Assets** increased \$43 million, or 7%. Year-end cash balances in capital construction funds, debt service reserve funds and agency funds increased \$38 million compared to the prior year because of increased borrowing activity throughout the year. Investments increased \$7 million mainly relating to the OUS investment strategy.

- **Capital Assets, Net** increased \$112 million, or 4%. Capitalized acquisitions net of disposals and adjustments included \$209 million in real property and \$27 million in personal property. Accumulated depreciation increased by \$125 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Deferred Outflows of Resources** increased by \$19 million due to an increase in the accrued gain/loss on refunding of previously held debt.
- **Current Liabilities** increased \$12 million, or 2%. Accounts Payable and Accrued Liabilities increased by \$12 million due to liabilities associated with the Risk Management Fund. See "Note 16. Risk Financing" for details about the operation of the self-insurance fund.
- **Noncurrent Liabilities** increased \$112 million, or 6%, primarily due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.



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Management's Discussion and Analysis For the Years Ended June 30, 2014 and 2013 (dollars in millions)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (SRE)

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:

Condensed Statement of Revenues, Expenses and

For the Year Ended June 30,	2014	2013	2012
Operating Revenues	\$ 1,782	\$ 1,701	\$ 1,639
Operating Expenses	2,468	2,349	2,236
Operating Loss	(686)	(648)	(597)
Nonoperating Revenues, Net of Expenses	577	552	512
Other Revenues	192	110	97
Increase in Net Position	83	14	12
Net Position, Beginning of Year	1,477	1,463	1,451
Net Position, End of Year	\$ 1,560	\$ 1,477	\$ 1,463

Changes in Net Position

Net Position increased by \$83 million, or 6%, in 2014 compared to an increase of \$14 million, or 1%, in 2013.

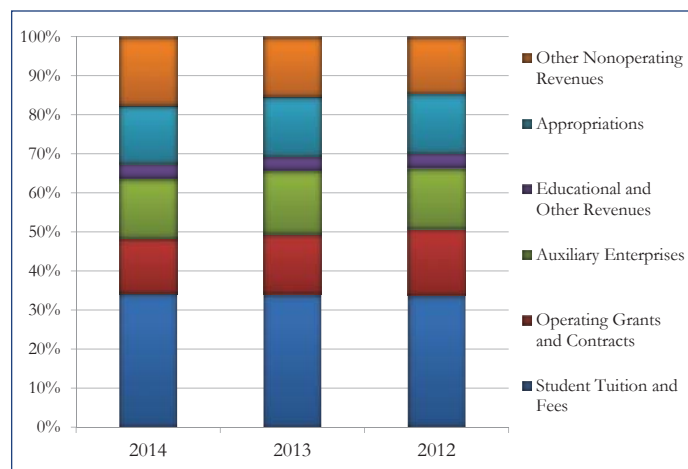
Revenues

Revenues increased \$191 million, or 8%, in 2014 over 2013.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2014	2013	2012
Student Tuition and Fees	\$ 903	\$ 835	\$ 790
Grants and Contracts	373	378	396
Auxiliary Enterprises	408	400	365
Educational and Other	98	88	88
Total Operating Revenues	1,782	1,701	1,639
Appropriations	395	375	357
Grants	171	170	168
Investment Activity	45	36	31
Capital Grants and Gifts	139	55	48
Other Nonoperating Items	114	118	95
Total Nonoperating Revenues	864	754	699
Total Revenues	\$ 2,646	\$ 2,455	\$ 2,338

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased \$81 million in 2014, or 5% over 2013, to \$1.8 billion. Operating revenues increased \$62 million in 2013, or 4%, over 2012. These changes are primarily due to increases in Student Tuition and Fees and Auxiliary Enterprises Revenues.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased \$68 million, or 8%, in 2014 compared to 2013.

- Higher tuition and fee rates accounted for \$54 million of the increase.
- Fee remissions and scholarship allowances reduced tuition and fees by \$8 million more than in the prior period.
- Bad debt expense decreased by \$17 million, due to 2014 being the second year of the accounting change.

Federal, State and Nongovernmental Grants and Contracts decreased \$5 million, or 2%, in 2014 compared to 2013.

- Federal grant and contract revenues were lower during 2014 when compared to the prior year by \$15 million due to decreased research and development grants and contracts, as well as other federal grants and contracts.
- State grant activity increased by \$3 million.
- Nongovernmental grant activity increased \$7 million.

Auxiliary Enterprises revenues increased \$8 million, or 2%, compared to the prior year.

- Student Health Fee revenue decreased \$4 million due to changes in student health insurance program offerings.
- Housing and Dining revenues increased by \$7 million in 2014 related mainly to increased rates and student occupancy.

Management's Discussion and Analysis

For the Years Ended June 30, 2014 and 2013 (dollars in millions)

- Athletics revenues increased by \$4 million mainly due to the growth in revenues from television broadcasting rights and gate receipts.
- Incidental Fee revenue increased \$4 million due to a combination of increased enrollment and increased rates.
- Bookstores and other auxiliaries decreased \$3 million.

Education and Other Revenues increased \$10 million, or 11%, in 2014 compared to 2013.

Comparison of fiscal year 2013 to fiscal year 2012

- **Student Tuition and Fees** increased \$45 million, or 6%, in 2013 compared to 2012 due to a 0.2% enrollment increase coupled with an average 8% tuition increase. These increases were slightly offset by a \$9 million, or 10%, increase in fee remissions and a \$20 million increase in bad debt allowance due to a change in the methodology for estimating bad debt.
- **Federal, State and Nongovernmental Grants and Contracts** decreased \$18 million, or 4%, in 2013 compared to 2012. Federal grant and contract revenues decreased by \$8 million in 2013 relating to decreased research and development grants and contracts, and other grants and contracts. State grant activity decreased by \$9 million and Nongovernmental grant activity decreased by \$1 million.
- **Auxiliary Enterprise** revenues increased by \$35 million due to increased student health and incidental fees, increased Housing and Dining rates and occupancy, and the growth in athletics revenues from television broadcasting rights.
- **Education and Other Revenues** were relatively unchanged from 2012 to 2013.

Nonoperating Revenues

Nonoperating Revenues increased \$110 million during 2014, or 15%. Nonoperating Revenues increased \$55 million during 2013.

Comparison of fiscal year 2014 to fiscal year 2013

Government and Debt Service Appropriations increased \$20 million, or 5%. State appropriations for OUS operations increased by \$22 million, or 7%, due to increased funding received from the State of Oregon. Debt service appropriations decreased by \$2 million, or 4%, due to lower levels of debt service in 2014. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

Grants increased \$1 million in 2014.

Investment Activity revenues increased \$9 million in 2014. See "Note 10. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased \$84 million in 2014 due to the donation of a completed athletic facility at UO.

Other Nonoperating Items decreased \$4 million in 2014.

- Other gifts increased by \$10 million in 2014 compared to 2013.
- Adjustments to Capital Assets decreased \$11 million in 2014 compared to 2013.
- Gain (Loss) on the Sale of Assets, Net decreased \$3 million due to a net loss on the sale of assets.

Comparison of fiscal year 2013 to fiscal year 2012

- **Government and Debt Service Appropriations** increased \$18 million, or 5%. State appropriations for OUS operations increased by \$12 million, or 4%, due to higher funding received from the State of Oregon. Also, debt service appropriations increased because of higher levels of debt service in 2013. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.
- **Grants** increased \$2 million in 2013.
- **Investment Activity** revenues increased \$5 million in 2013.
- **Capital Grants and Gifts** increased \$7 million in 2013.
- **Other Nonoperating Items** increased \$22 million in 2013 due to increases in gift revenues in 2013 as compared to 2012.

Expenses

Operating Expenses

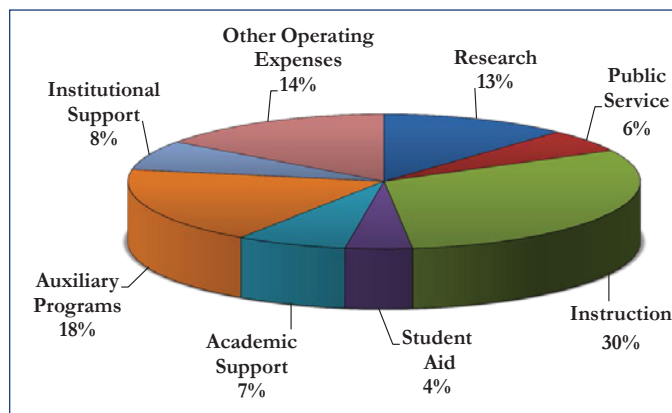
Operating expenses increased \$119 million in 2014, or 5%, over 2013, to \$2.5 billion. The 2014 increase resulted from higher expenses in most categories, with the biggest overall increases in instruction and auxiliary programs. Operating expenses increased \$113 million in 2013, or 5%, over 2012, to \$2.3 billion. The 2013 increase resulted from higher expenses in most categories, with the biggest overall increases in instruction and auxiliary programs. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,	2014	2013	2012
Instruction	\$ 760	\$ 718	\$ 678
Auxiliary Programs	454	434	398
Research	293	298	299
Institutional Support	177	175	166
Academic Support	172	163	153
Public Service	137	134	142
Student Aid	104	101	95
Other Operating Expenses	371	326	305
Total Operating Expenses	\$ 2,468	\$ 2,349	\$ 2,236

Management's Discussion and Analysis For the Years Ended June 30, 2014 and 2013 (dollars in millions)

2014 Operating Expense by Function

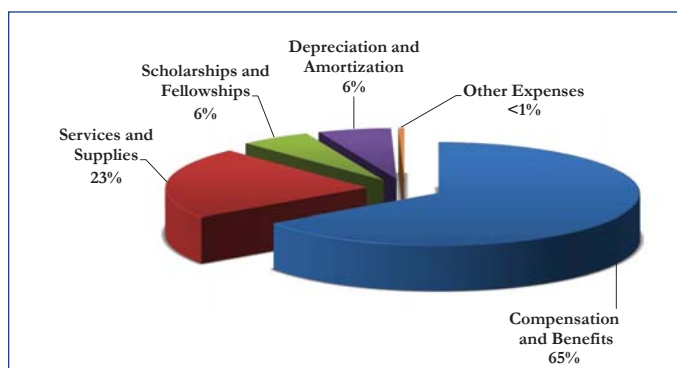


Due to the way in which expenses are incurred by OUS, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items. The following summarizes operating expenses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

Operating Expenses by Nature

For the Year Ended June 30,	2014	2013	2012
Compensation and Benefits	\$ 1,611	\$ 1,527	\$ 1,456
Services and Supplies	560	535	510
Scholarships and Fellowships	141	139	133
Depreciation and Amortization	145	137	125
Other Expenses	11	11	12
Total Operating Expenses	\$ 2,468	\$ 2,349	\$ 2,236

2014 Operating Expenses by Nature



Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased \$84 million, or 6%, in 2014 compared to 2013 due to:

- Increased retirement costs (\$11 million, or 7%) and increased health insurance costs (\$9 million, or 5%).
- Higher wage costs attributed to salary and wage increases (approximately \$45 million).

- Increased student and graduate employment (approximately \$4 million)
- Increased fee remissions for graduate students (\$4 million or 7%).

Services and Supplies expense increased \$25 million, or 4%, during 2014. The main increase was in general supplies expense (\$20 million, or 22%) with smaller increases in utilities, maintenance and repairs, rentals and leases, and fees and services. These increases were somewhat offset by decreases in numerous other services and supplies categories.

Scholarships and Fellowships costs increased \$2 million, or 1%, when comparing 2014 to 2013. Overall, scholarships and fellowships increased \$7 million, offset by a \$5 million increase in bad debt expense. The increase in scholarships and fellowships corresponds to revenue increases in state, private and institutional aid, partly offset by a decrease in foundation and federal student aid in fiscal year 2014.

Depreciation and Amortization expense increased \$8 million during 2014 primarily relating to depreciation starting on recently constructed or refurbished buildings.

Nonoperating Expenses

Interest Expense increased by \$4 million, or 4%, due to debt issuances being outstanding for the full year during 2014. See "Capital Assets and Related Financing Activities," below, and "Note 8. Long-term Liabilities" for information relating to this variance.

Comparison of fiscal year 2013 to fiscal year 2012

Compensation and Benefits costs increased \$71 million, or 5%, in 2013 compared to 2012 due to:

- Increased retirement costs (\$8 million, or 5%).
- Higher wage costs attributed to salary and wage increases (approximately \$40 million).
- Increased student and graduate employment (approximately \$5 million)
- Increased fee remissions for graduate students (\$6 million, or 10%).

Services and Supplies expense increased \$25 million, or 5%, during 2013. This increase was seen across many categories including communications, utilities, rentals and leases, fees and services, assessments, travel and miscellaneous other services and supplies. These increases were partially offset by lower subcontractor and resale item expenses.

Scholarships and Fellowships costs increased \$6 million, or 4%, when comparing 2013 to 2012. This net increase corresponds to the revenue increases across almost all categories of student financial aid (state, private and institutional), partly offset by a decrease in federal student aid in fiscal year 2013.

Management's Discussion and Analysis

For the Years Ended June 30, 2014 and 2013 (dollars in millions)

Depreciation and Amortization expense increased \$12 million during 2013 primarily relating to depreciation starting on recently constructed or refurbished buildings.

Nonoperating Expenses

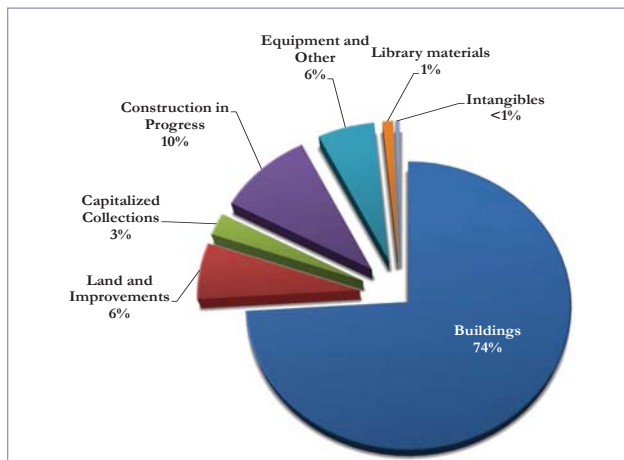
Interest Expense increased by \$2 million, or 2%, due to debt issuances being outstanding for the full year during 2013.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2014, OUS had \$4.8 billion in capital assets, less accumulated depreciation of \$1.9 billion, for net capital assets of \$2.9 billion. At June 30, 2013, OUS had \$4.5 billion in capital assets, less accumulated depreciation of \$1.7 billion, for net capital assets of \$2.7 billion. During fiscal year 2014, \$175 million in construction projects were completed and placed into service. OUS has been committed to a comprehensive program of capital initiatives and facility maintenance which includes addressing current maintenance needs and minimizing OUS's deferred maintenance backlog. State, Federal, private, debt, and internal OUS funding were all used to accomplish OUS's capital objectives.

2014 Capital Assets, Net - \$2.9 Billion



Changes to Capital Assets

	2014	2013	2012
Capital Assets, Beginning of Year	\$ 4,471	\$ 4,235	\$ 3,967
Add: Purchases/Construction	372	251	297
Less: Retirements/Disposals/Adjustments	(27)	(15)	(29)
Total Capital Assets, End of Year	4,816	4,471	4,235
Accum. Depreciation, Beginning of Year	(1,730)	(1,605)	(1,494)
Add: Depreciation Expense	(145)	(137)	(125)
Less: Retirements/Disposals/Adjustments	15	12	14
Total Accum. Depreciation, End of Year	(1,860)	(1,730)	(1,605)
Total Capital Assets, Net, End of Year	\$ 2,956	\$ 2,741	\$ 2,630

Capital additions totaled \$372 million for 2014, \$251 million for 2013, and \$297 million for 2012.

Accumulated depreciation at June 30, 2014 increased \$130 million, which represented \$145 million in depreciation and amortization expense offset by \$15 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2013 increased \$125 million, which represented \$137 million in depreciation and amortization expense offset by \$12 million in asset retirements and adjustments. Depreciation expense was \$145 million during 2014 compared to \$137 million during 2013 and \$125 million in 2012.

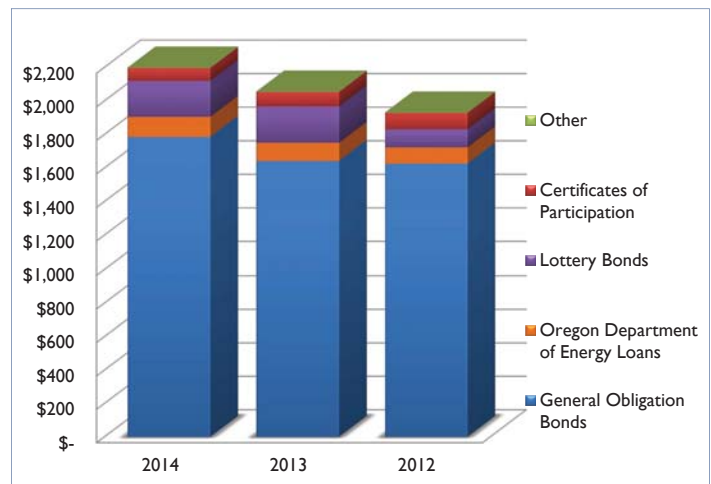
Capital Commitments

OUS has outstanding capital commitments on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature of \$337 million as of June 30, 2014. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

Debt Administration

During 2014 and 2013, OUS issued debt totaling \$184 million and \$416 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding. General Obligation Bonds increased \$184 million during 2014. No debt was issued for refundings during 2014. Debt issued for refundings during 2013 totaled \$282 million.

Long-term Debt



ECONOMIC OUTLOOK

The Chancellor's Office and the seven Universities that make up the Oregon University System and are governed by the State Board of Higher Education are in the process of transitioning to seven separate universities with seven independent governing boards. This is the last year OUS will issue an annual financial report with all seven universities. The final OUS Annual Finan-

Management's Discussion and Analysis For the Years Ended June 30, 2014 and 2013 (dollars in millions)

cial Report will be issued as of June 30, 2015 and will include the four technical and regional universities – Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University and the Chancellor's Office.

As part of the transition several entities were formed to facilitate student success and system efficiency. Some functions will transition to the Higher Education Coordinating Commission and a new University Shared Services Enterprise organization has been formed to serve the universities that choose to participate. All seven universities continue to collaborate with one another in many of the same ways as they have in the past.

Funding for the major activities of the remaining four technical and regional universities is primarily student tuition and fees and financial aid programs, followed by state appropriations and state and Federal grants and contracts. The four technical and regional universities serve over 20,000 students each year, 85% of which are resident students. State funding levels will continue to be a challenge to the mission of these four universities. To meet the financial challenges of the changing environment the universities continue to seek operating efficiencies to lower costs and develop new methods to build enrollment consisting of a mix of resident, out-of-state, and international students.



Statements of Net Position

As of June 30,	University System	
	2014	2013
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 456,891	\$ 345,538
Collateral from Securities Lending (Note 2)	46,840	33,714
Accounts Receivable, Net (Note 3)	255,676	221,479
Notes Receivable, Net (Note 4)	15,786	16,523
Inventories	8,118	8,367
Prepaid Expenses	11,767	24,557
Total Current Assets	795,078	650,178
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	\$ 177,261	\$ 198,308
Investments (Note 2)	299,160	364,717
Notes Receivable, Net (Note 4)	89,984	92,372
Capital Assets, Net of Accumulated Depreciation (Note 5)	2,956,284	2,741,532
Total Noncurrent Assets	3,522,689	3,396,929
Total Assets	\$ 4,317,767	\$ 4,047,107
DEFERRED OUTFLOWS OF RESOURCES	\$ 34,479	\$ 42,954
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 175,072	\$ 153,114
Deposits	42,286	51,198
Obligations Under Securities Lending (Note 2)	46,840	33,714
Current Portion of Long-Term Liabilities (Note 8)	142,807	130,377
Unearned Revenues	133,204	126,382
Total Current Liabilities	540,209	494,785
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)	2,251,546	2,118,015
Total Noncurrent Liabilities	2,251,546	2,118,015
Total Liabilities	\$ 2,791,755	\$ 2,612,800
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 983,811	\$ 941,652
Restricted For:		
Nonexpendable Endowments	17,561	16,785
Expendable:		
Gifts, Grants and Contracts	90,677	79,913
Student Loans	84,644	83,801
Capital Projects	93,832	77,471
Debt Service	86,150	62,132
Unrestricted	203,816	215,507
Total Net Position	\$ 1,560,491	\$ 1,477,261

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

Statements of Financial Position

As of June 30,	Component Units	
	2014	2013
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	\$ 36,778	\$ 65,031
Contributions, Pledges and Grants Receivable, Net	146,790	145,603
Investments (Note 2)	1,551,910	1,364,217
Prepaid Expenses and Other Assets	46,043	39,727
Property and Equipment, Net	65,969	58,120
Total Assets	\$ 1,847,490	\$ 1,672,698
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 12,619	\$ 7,063
Accounts Payable to Universities	6,736	3,816
Obligations to Beneficiaries of Split-Interest Agreements	81,203	71,903
Deposits and Unearned Revenue	23,611	18,732
Long-Term Liabilities	74,183	74,263
Total Liabilities	\$ 198,352	\$ 175,777
NET ASSETS		
Unrestricted	\$ 35,126	\$ 13,731
Temporarily Restricted	782,555	703,647
Permanently Restricted	831,457	779,543
Total Net Assets	\$ 1,649,138	\$ 1,496,921

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	University System	
	2014	2013
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of \$196,912 and \$205,548, respectively)	\$ 903,230	\$ 835,127
Federal Grants and Contracts	309,784	324,491
State and Local Grants and Contracts	17,942	15,297
Nongovernmental Grants and Contracts	45,651	38,488
Educational Department Sales and Services	59,456	61,013
Auxiliary Enterprises Revenues (Net of Allowances of \$14,979 and \$15,370, respectively)	407,891	400,386
Other Operating Revenues	38,513	26,422
Total Operating Revenues	1,782,467	1,701,224
OPERATING EXPENSES		
Instruction	759,650	718,617
Research	292,858	298,290
Public Service	137,352	133,652
Academic Support	171,662	162,811
Student Services	95,234	91,487
Auxiliary Programs	453,684	433,627
Institutional Support	177,207	174,881
Operation and Maintenance of Plant	116,256	113,975
Student Aid	103,830	100,842
Other Operating Expenses	159,974	120,903
Total Operating Expenses (Note 11)	2,467,707	2,349,085
Operating Income (Loss)	(685,240)	(647,861)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	341,856	320,006
Grants	171,367	169,963
Investment Activity (Note 10)	45,128	35,990
Gain (Loss) on Sale of Assets, Net	(2,642)	-
Interest Expense	(96,135)	(91,996)
Other Nonoperating Items	116,798	118,073
Net Nonoperating Revenues	576,372	552,036
Income (Loss) Before Other Nonoperating Revenues	(108,868)	(95,825)
Debt Service Appropriations (Note 12)	52,712	55,017
Capital Grants and Gifts	138,610	54,575
Changes to Permanent Endowments	776	240
Total Other Nonoperating Revenues	192,098	109,832
Increase In Net Position	83,230	14,007
NET POSITION		
Beginning Balance	1,477,261	1,463,254
Ending Balance	\$ 1,560,491	\$ 1,477,261

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

Statements of Activities

For The Years Ended June 30,	Component Units	
	2014	2013
	(In thousands)	
REVENUES		
Grants, Bequests and Gifts	\$ 169,153	\$ 220,906
Interest and Dividends	15,042	15,380
Investment Income (Loss), Net	156,221	103,432
Change in Value of Life Income Agreements	11,130	6,635
Other Revenues	29,924	26,981
Total Revenues	381,470	373,334
EXPENSES		
University Support	188,623	211,018
General and Administrative	19,400	29,340
Other Expenses	21,230	7,887
Total Expenses	229,253	248,245
Increase In Net Assets	152,217	125,089
NET ASSETS		
Beginning Balance (Restated)	1,496,921	1,371,832
Ending Balance	\$ 1,649,138	\$ 1,496,921

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

Statements of Cash Flows

For the Years Ended June 30,	University System	
	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 902,250	\$ 868,031
Grants and Contracts	390,760	367,824
Educational Department Sales and Services	59,456	61,012
Auxiliary Enterprises Operations	401,375	397,347
Payments to Employees for Compensation and Benefits	(1,600,669)	(1,521,905)
Payments to Suppliers	(545,284)	(535,027)
Student Financial Aid	(140,894)	(139,159)
Other Operating Receipts	2,947	11,795
Net Cash Provided (Used) by Operating Activities	(530,059)	(490,082)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	341,856	320,005
Grants	169,738	169,963
Private Gifts Received for Endowment Purposes	776	240
Other Gifts and Private Contracts	116,799	118,074
Net Agency Fund Receipts (Payments)	(12,274)	(9,206)
Net Cash Provided (Used) by Noncapital Financing Activities	616,895	599,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	52,712	55,017
Capital Grants and Gifts	51,177	32,496
Bond Proceeds from Capital Debt	226,243	493,211
Sales of Capital Assets	8,999	3,156
Purchases of Capital Assets	(276,220)	(228,643)
Interest Payments on Capital Debt	(96,194)	(95,192)
Principal Payments on Capital Debt	(82,406)	(345,366)
Net Cash Provided (Used) by Capital and Related Financing Activities	(115,689)	(85,321)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	82,461	(46,065)
Interest on Investments and Cash Balances	36,698	32,429
Net Cash Provided (Used) by Investing Activities	119,159	(13,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,306	10,037
CASH AND CASH EQUIVALENTS		
Beginning Balance	543,846	533,809
Ending Balance	\$ 634,152	\$ 543,846

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

Statements of Cash Flows

For the Years Ended June 30,	University System	
	2014	2013
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	(685,240)	\$ (647,861)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	145,269	136,785
Changes in Assets and Liabilities:		
Accounts Receivable	(34,197)	4,878
Notes Receivable	184	(197)
Inventories	249	(760)
Prepaid Expenses	12,790	1,117
Accounts Payable and Accrued Liabilities	14,007	14,505
Long-Term Liabilities	8,426	1,248
Unearned Revenue	8,453	203
NET CASH USED BY OPERATING ACTIVITIES	\$ (530,059)	\$ (490,082)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ -	\$ 76
Capital Assets Acquired by Gifts in Kind	87,432	22,079
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	8,430	3,561

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

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Senate Bill (SB) 270 was passed by the Oregon Legislature during fiscal year 2013 and established OSU, PSU, and the UO each as an independent public body legally separate from OUS as of July 1, 2014. These three entities will not be included in the OUS financial reporting entity starting with the fiscal year 2015 financial report. SB 270 also contained language providing pathways for EOU, OIT, SOU and WOU to become independent public bodies, legally separate from OUS with their own governing boards. The Board unconditionally endorsed both OIT and WOU to become separate legal entities with independent governing boards effective July 1, 2015. The Board conditionally endorsed EOU and SOU to become separate legal entities with independent governing boards effective July 1, 2015 subject to mutually agreed upon conditions endorsed by the Governor. Effective July 1, 2015, each public university will be a stand-alone legal entity. Each university will continue to be included as a discretely presented component unit in the Comprehensive Annual Financial Report issued by the State.

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, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, 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. Unless otherwise stated, dollars are presented in thousands.

Newly Implemented Accounting Standards

OUS implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB 65 amended or superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. Certain items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows of resources, and certain items are now recognized as expenses or revenues in the period incurred. As a result of the implementation, OUS reclassified \$34,456 in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows.

OUS implemented GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for the fiscal year ended June 30, 2014. GASB 66 resolves 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*. The implementation of GASB 66 had no impact on the OUS financial statements.

The Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for the fiscal year ended June 30, 2014. GASB 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to OUS. The measurement of net pension liability in accordance with GASB 67 will increase liabilities for OUS universities as they implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

OUS implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB 70 has resulted in an additional note to the financial

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

statements, 8.J. Financial Guarantees. The adoption of GASB 70 did not materially impact the OUS financial statements.

Upcoming Accounting Standards

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June 30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of OUS is unavailable at this time. The adoption of GASB 68 is expected to have a significant negative impact on the unrestricted net position of OUS.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB 69 requirements are effective for the fiscal year ending June 30, 2015. OUS is analyzing the effects of the adoption of GASB 69 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the measurement Date - An Amendment of GASB Statement No. 68*. GASB 71 updates GASB 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 71 is not expected to have a material impact on the OUS financial statements.

C. Basis of Accounting

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

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.

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 Position.

Investments are classified as noncurrent assets in the Statement of Net Position.

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.

OUS capitalizes interest expense on projects exceeding \$20 million that are partially or fully funded by XI-F(1) debt or internally generated funds. Total interest costs of \$53,163 and \$51,342 were incurred on XI-F(1) debt, of which \$1,445 and \$1,433 were capitalized for the fiscal years ended 2014 and 2013, respectively.

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

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenue earned in 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.

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

J. Net Position

OUS's net position is classified as follows:

Net investment in capital assets

Net investment 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 – nonexpendable endowments

Restricted nonexpendable consists 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 the principal.

Restricted – expendable

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

Unrestricted

Unrestricted 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 2015 is estimated to be \$2,664. For the years ended June 30, 2014 and 2013, the net amount of appreciation available for authorization for expenditure was \$23,755 and \$18,765, respectively.

Nonexpendable Endowments on the Statement of Net Position of \$17,561 and \$16,785 at June 30, 2014 and 2013, respectively, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments.

L. Income Taxes

OUS 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 there were no taxes due to unrelated business income during fiscal year 2014.

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 non-exchange transactions. In a nonexchange transaction, OUS receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, and 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, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

N. 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 \$91,014 and \$87,446 for the fiscal years ended 2014 and 2013, 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 \$111,548 and \$106,832 for the fiscal years ended 2014 and 2013, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$9,329 and \$26,640 for the fiscal years ended 2014 and 2013, 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 \$571,785 and \$583,968 for the fiscal years ended 2014 and 2013, respectively.

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Q. Reclassifications

Certain amounts within the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation. The reclassifications had no effect on previously reported total net position.

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, 2014 and 2013, OUS cash and cash equivalents on deposit at State Treasury were \$633,504 and \$542,135, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2014 current portion includes \$27,625 in restricted agency funds for payroll liabilities and undistributed student loans and \$42,180 restricted for debt service payments. The noncurrent portion included \$6,559 in restricted agency funds for OUS student groups and campus organizations. Of the total restricted cash, \$41,160 is held by the Chancellor's Office.

The 2013 current portion included \$49,055 in restricted agency funds for payroll liabilities and undistributed student loans and \$22,901 restricted for debt service payments. The noncurrent portion included \$5,764 in restricted agency funds for OUS student groups and campus organizations. Of the total restricted cash, \$63,151 is held by the Chancellor's Office.

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 via the internet at <http://www.oregon.gov/treasury/AboutTreasury/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. OUS cash balances held on deposit at the State Treasury are invested consistently, therefore 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 \$154 and \$191 at June 30, 2014 and 2013, respectively.

To further mitigate foreign currency risks for prospective study abroad activities, OUS periodically enters into forward foreign currency contracts. At June 30, 2014 and 2013, respectively, these contracts totaled \$1,215 and \$997 and had a net fair value loss of \$20 and \$27. The net fair value loss is reported as Deferred Outflows on the Statement of Net Position.

June 30, 2014						
Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj
GBP	\$ 152	\$ 256	4/2/2014	3/31/2015	\$ 1.7103	\$ 3
EUR	158	221	4/2/2014	3/31/2015	1.3692	(5)
	437	615	4/30/2014	3/31/2015	1.3692	(17)
JPY	12,203	123	5/13/2014	3/31/2015	0.0099	(2)
June 30, 2013						
Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
CAD	\$ 1	\$ 1	2/11/2013	9/30/2013	\$ 1.0200	\$ 0
EUR	619	823	5/14/2013	3/31/2014	1.3295	(18)
	88	118	4/3/2013	7/31/2013	1.3500	(4)
JPY	5,000	55	4/3/2013	3/14/2014	0.0111	(5)

Other Deposits

For the years ended June 30, 2014 and 2013, OUS had vault and petty cash balances of \$668 and \$718, 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.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2014, of the total \$299,160 in investments, \$84,550 are restricted endowments, and \$29,244 are restricted for future Student Building Fee debt service payments. Of the restricted investments, \$30,829 is held by the Chancellor's Office.

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

At June 30, 2013, of the total \$364,717 in investments, \$71,290 were restricted endowments, of which \$2,179 was held by the Chancellor's Office.

The following schedule presents the fair value of OUS investments as reported by the applicable investment trustee at June 30, 2014 and 2013:

University System

Investment Type:				
Mutual Funds -				
Domestic Fixed Income	\$ 61,793	20%	\$ 123,063	33%
US Agency Securities	49,716	16%	69,043	19%
Corporate Bonds	66,617	22%	59,535	16%
US Government Securities	3,713	1%	14,624	4%
Non-US Govt Securities	7,591	2%	12,473	3%
Municipals	8,740	3%	7,828	2%
Int'l Debt Securities	8,668	3%	6,696	2%
Money Market Funds	7,776	3%	1,190	-
Fixed Income Investments	<u>214,614</u>		<u>294,452</u>	
International Equity Securities	15,010	5%	12,448	3%
Mutual Funds -				
Domestic Equity Securities	18,389	6%	18,237	5%
Mutual Funds -				
International Equity Securities	3,862	1%	3,297	1%
Mutual Funds -				
World Equity Securities	4,499	1%	3,636	1%
Equity Investments	<u>41,760</u>		<u>37,618</u>	
Alternative Equities	13,648	5%	11,793	4%
Asset Backed Securities	13,777	5%	12,729	3%
Collateralized Mortgage Obligations	17,449	6%	7,176	2%
Real Estate	2,693	1%	2,138	1%
Other Investments	<u>47,567</u>		<u>33,836</u>	
Total All Investments	303,941	100%	365,906	100%
Less Amounts Recorded As Cash	(4,781)		(1,189)	
Total Investments	<u>\$ 299,160</u>		<u>\$ 364,717</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 Position.

Significant events in domestic and international investment markets or 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, 2014.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, OUS had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

Of the total investments, \$40,803 is invested in an intermediate term pool managed by State Treasury, \$179,197 is individually held investments, \$76,398 is invested in a portfolio that is managed for the benefit of pooled gifts and endowments, and \$2,762 is sepa-

rately 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, 2014 and 2013 as follows:

Component Units

Fair Value at June 30, Investment Type:	2014	2013
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 760,794	\$ 634,536
Investment in Common Stock, Voting Trust and Partnerships	623,676	534,372
US Treasury Notes and Government Obligations	-	-
Money Market Funds and Certificates of Deposit	47,760	85,329
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	22,925	22,072
Remainder Trusts, Unitrusts and Gift Annuities	60,695	55,527
Alternative Investments	22,803	18,850
Investment Receivables	125	176
Cash Value of Life Insurance Policies	2,354	2,415
Other	10,778	10,940
Total Investments	<u>\$ 1,551,910</u>	<u>\$ 1,364,217</u>

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 endowment investment policy 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. The Oregon Intermediate Term Pool, Western Asset Core Plus, Blackrock Inflation Protected and Vanguard Intermediate Term mutual funds (all categorized as Mutual Fund - Domestic Fixed Income) are unrated and indicated as such in the table. See table on the following page for OUS investment credit quality ratings at June 30, 2014 and 2013.

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

OUS Investment Credit Quality Ratings

Investment Type:	Total	Govt	AAA	AA	A	BBB	Below BBB	Unrated
Corporate Bonds	\$ 66,617	\$ -	\$ -	\$ 9,528	\$ 36,305	\$ 20,784	\$ -	\$ -
Mutual Funds - Dom. Fixed Inc.	61,793							61,793
US Agency Securities	49,716			31,643				18,073
Collateralized Mortgage Oblig.	17,449		17,034	415				
Asset Backed Securities	13,777		13,777					
Municipals	8,740		3,940	4,800				
International Debt Securities	8,668			2,510	4,147	2,011		
Non-US Govt Securities	7,591		2,544		5,047			
US Govt Securities	3,713	3,643	-					70
Fair Value at June 30, 2013	\$ 238,064	\$ 3,643	\$ 37,295	\$ 48,896	\$ 45,499	\$ 22,795	\$ -	\$ 79,936
Mutual Funds - Dom. Fixed Inc.	\$ 123,063	\$ -	\$ 1,446	\$ 21,201	\$ 21,684	\$ 44,999	\$ -	\$ 33,733
US Agency Securities	69,042		2,214	41,277	3,446			22,105
Corporate Bonds	59,535			1,486	34,675	23,374		
US Govt Securities	14,624	14,555						69
Asset Backed Securities	12,729		12,729					
Non-US Govt Securities	12,473		2,489	5,073	4,911			
Municipals	7,828		4,448	3,380				
Collateralized Mortgage Oblig.	7,176		7,176					
International Debt Securities	6,696			2,527	4,169			
Fair Value at June 30, 2013	\$ 313,166	\$ 14,555	\$ 30,502	\$ 74,944	\$ 68,885	\$ 68,373	\$ -	\$ 55,907

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 cash is transferred 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, is to be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund was invested in any single security, unless part of an index fund.

Foreign Currency Risk

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. OUS has \$29,970 in deposits and mutual funds that are primarily invested in international debt and international equities at June 30, 2014. Approximately \$6,201 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 commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

The following schedules presents the foreign currency exchange contracts in effect as of June 30, 2014 and 2013:

As of June 30, 2014

Description	Settle Dates	Notional Value	Fair Market Value
Foreign Currency Exchange			
Contracts Purchased:			
Australian Dollar	9/17/2014	\$ 39	\$ 39
Canadian Dollar	9/17/2014	1,895	1,948
Danish Krone	9/17/2014	960	967
Eurodollar	9/17/2014	-	-
Hong Kong Dollar	9/17/2014	25	25
Israeli Shekel	9/17/2014	5	5
Japanese Yen	9/17/2014	367	370
New Zealand Dollar	9/17/2014	1,072	1,110
Norwegian Krone	9/17/2014	31	31
Pound Sterling	9/17/2014	1,654	1,684
Singapore Dollar	9/17/2014	33	32
Swedish Krona	9/17/2014	113	113
Swiss Franc	9/17/2014	7	7
Total Contracts Purchased		6,201	6,331
Foreign Currency Exchange			
Contracts Sold:			
Australian Dollar	9/17/2014	259	262
Canadian Dollar	9/17/2014	162	163
Danish Krone	9/17/2014	-	-
Eurodollar	9/17/2014	1,882	1,893
Hong Kong Dollar	9/17/2014	205	205
Israeli Shekel	9/17/2014	715	721
Japanese Yen	9/17/2014	834	843
New Zealand Dollar	9/17/2014	-	-
Norwegian Krone	9/17/2014	342	335
Pound Sterling	9/17/2014	112	113
Singapore Dollar	9/17/2014	199	200
Swedish Krona	9/17/2014	944	945
Swiss Franc	9/17/2014	804	812
Total Contracts Sold		6,458	6,492
Total Foreign Currency Exchange Contracts		\$ 12,659	\$ 12,823
Net Forward Foreign Currency Exchange Contracts		\$ 257	\$ 161

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Description	Settle Dates	Notional Value	Fair Market Value
Foreign Currency Exchange			
Contracts Purchased:			
Australian Dollar	9/18/2013	\$ 190	\$ 184
Canadian Dollar	9/18/2013	1,320	1,279
Danish Krone	9/18/2013	648	637
Eurodollar	9/18/2013	275	270
Hong Kong Dollar	9/18/2013	1,450	1,451
Israeli Shekel	9/18/2013	-	-
Japanese Yen	9/18/2013	-	-
New Zealand Dollar	9/18/2013	970	947
Norwegian Krone	9/18/2013	5	5
Pound Sterling	9/18/2013	94	92
Singapore Dollar	9/18/2013	40	39
Swedish Krona	9/18/2013	-	-
Swiss Franc	9/18/2013	193	188
Total Contracts Purchased		5,185	5,092
Foreign Currency Exchange			
Contracts Sold:			
Australian Dollar	9/18/2013	437	420
Canadian Dollar	9/18/2013	-	-
Danish Krone	9/18/2013	-	-
Eurodollar	9/18/2013	2,356	2,316
Hong Kong Dollar	9/18/2013	125	125
Israeli Shekel	9/18/2013	1	1
Japanese Yen	9/18/2013	980	961
New Zealand Dollar	9/18/2013	-	-
Norwegian Krone	9/18/2013	212	201
Pound Sterling	9/18/2013	106	102
Singapore Dollar	9/18/2013	83	81
Swedish Krona	9/18/2013	309	302
Swiss Franc	9/18/2013	535	529
Total Contracts Sold		5,144	5,038
Total Foreign Currency			
Exchange Contracts		\$ 10,329	\$ 10,130
Net Forward Foreign Currency			
Exchange Contracts		\$ (41)	\$ (54)



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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, 2014 and 2013 (duration in years):

Fair Value at June 30,	2014	Duration	2013	Duration
Investment Type:				
Mutual Funds-Domestic				
Fixed Income	\$ 61,793	3.24	\$ 123,063	3.41
US Agency Securities	49,716	3.32	69,043	3.59
Corporate Bonds	66,617	3.05	59,535	2.59
US Government Securities	3,713	6.43	14,624	7.53
Non-US Govt Securities	7,591	6.59	12,473	5.68
Municipals	8,740	2.88	7,828	3.11
Int'l Debt Securities	8,668	0.92	6,696	2.14
Collateralized Mortgage				
Obligations	17,449	1.75	7,176	2.25
Asset Backed Securities	13,777	2.63	12,729	3.82
Money Market Funds	7,776	0.50	1,190	0.50
Total Fair Value	\$ 245,840		\$ 314,357	
Portfolio Weighted Average Duration		3.04		3.52

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:

	June 30, 2014	June 30, 2013
OUS Securities on loan:		
Fair Value	\$ 635	\$ 356
Cash Collateral held by OUS:		
Fair Value	566	378
Reported Value	566	378
OSTF Securities on loan:		
Fair Value	73,634	46,577
Cash Collateral held by OSTF:		
Fair Value	46,283	33,336
Reported Value	46,283	33,336

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 were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent 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

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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, 2014, 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.

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including component units, comprised the following:

	June 30, 2014	June 30, 2013
Student Tuition and Fees	\$ 115,688	\$ 107,938
Auxiliary Enterprises and Other		
Operating Activities	36,777	30,261
Federal Grants and Contracts	44,577	56,801
Component Units	20,647	17,761
State, Other Government, and Private		
Gifts, Grants and Contracts	8,677	7,922
Other	72,084	39,522
	<u>298,450</u>	<u>260,205</u>
Less: Allowance for Doubtful Accounts	<u>(42,774)</u>	<u>(38,726)</u>
Accounts Receivable, Net	<u>\$ 255,676</u>	<u>\$ 221,479</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, 2014 and 2013. 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, 2014		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 4,434	\$ 5,050	\$ 9,484
Federal Student Loans	12,159	55,087	67,246
Amounts Due from OHSU for			
Indebtedness (See Note 8.H)	2,047	37,401	39,448
	<u>18,640</u>	<u>97,538</u>	<u>116,178</u>
Less: Allowance for Doubtful			
Accounts	(2,854)	(7,554)	(10,408)
Notes Receivable, Net	<u>\$ 15,786</u>	<u>\$ 89,984</u>	<u>\$ 105,770</u>

	June 30, 2013		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 5,439	\$ 3,943	\$ 9,382
Federal Student Loans	12,366	55,648	68,014
Amounts Due from OHSU for			
Indebtedness (See Note 8.H)	4,478	37,910	42,388
	<u>22,283</u>	<u>97,501</u>	<u>119,784</u>
Less: Allowance for Doubtful			
Accounts	(5,760)	(5,129)	(10,889)
Notes Receivable, Net	<u>\$ 16,523</u>	<u>\$ 92,372</u>	<u>\$ 108,895</u>



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Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance at June 30, 2012	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance at June 30, 2013	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance at June 30, 2014
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	\$ 128,165	\$ 5,949	\$ -	\$ (287)	\$ 133,827	\$ 5,288	\$ 22	\$ (971)	\$ 138,166
Capitalized Collections	68,011	5,935	-	(3)	73,943	1,347	-	(1,950)	73,340
Construction in Progress	320,017	170,258	(346,906)	517	143,886	321,557	(175,018)	122	290,547
Intangible Assets in Progress	51	-	-	(51)	-	83	-	12	95
Total Capital Assets,									
Non-depreciable/Non-amortizable	<u>516,244</u>	<u>182,142</u>	<u>(346,906)</u>	<u>176</u>	<u>351,656</u>	<u>328,275</u>	<u>(174,996)</u>	<u>(2,787)</u>	<u>502,148</u>
Capital Assets, Depreciable/Amortizable:									
Equipment	367,153	27,207	3,499	(13,186)	384,673	27,094	2,835	(17,986)	396,616
Library Materials	330,442	4,634	-	(1,703)	333,373	3,749	-	(1,742)	335,380
Buildings	2,780,728	28,029	319,654	427	3,128,838	11,266	166,419	(1,310)	3,305,213
Land Improvements	64,088	8,237	3,585	(491)	75,419	389	513	(3,083)	73,238
Improvements Other Than Buildings	28,082	-	495	-	28,577	795	642	-	30,014
Infrastructure	101,926	-	19,673	-	121,599	-	4,587	-	126,186
Intangible Assets	45,941	944	-	(190)	46,695	187	-	(12)	46,870
Total Capital Assets,									
Depreciable/Amortizable	<u>3,718,360</u>	<u>69,051</u>	<u>346,906</u>	<u>(15,143)</u>	<u>4,119,174</u>	<u>43,480</u>	<u>174,996</u>	<u>(24,133)</u>	<u>4,313,517</u>
Less Accumulated Depreciation/Amortization for:									
Equipment	(257,781)	(29,192)	-	11,398	(275,575)	(29,201)	-	16,340	(288,436)
Library Materials	(288,529)	(9,409)	-	1,512	(296,426)	(8,951)	-	2,057	(303,320)
Buildings	(933,765)	(85,345)	-	(591)	(1,019,701)	(93,990)	-	(3,435)	(1,117,126)
Land Improvements	(25,248)	(3,928)	-	(38)	(29,214)	(4,214)	-	406	(33,022)
Improvements Other Than Buildings	(18,274)	(1,621)	-	(186)	(20,081)	(1,716)	-	(15)	(21,812)
Infrastructure	(51,856)	(4,795)	-	(378)	(57,029)	(4,798)	-	(71)	(61,898)
Intangible Assets	(28,813)	(2,495)	-	36	(31,272)	(2,398)	-	(97)	(33,767)
Total Accumulated Depreciation/Amortization	<u>(1,604,266)</u>	<u>(136,785)</u>	<u>-</u>	<u>11,753</u>	<u>(1,729,298)</u>	<u>(145,268)</u>	<u>-</u>	<u>15,185</u>	<u>(1,859,381)</u>
Total Capital Assets, Net	<u>\$ 2,630,338</u>	<u>\$ 114,408</u>	<u>\$ -</u>	<u>\$ (3,214)</u>	<u>\$ 2,741,532</u>	<u>\$ 226,487</u>	<u>\$ -</u>	<u>\$ (11,735)</u>	<u>\$ 2,956,284</u>
Capital Assets Summary									
Capital Assets, Non-depreciable/Non-amortizable	\$ 516,244	\$ 182,142	\$ (346,906)	\$ 176	\$ 351,656	\$ 328,275	\$ (174,996)	\$ (2,787)	\$ 502,148
Capital Assets, Depreciable/Amortizable	3,718,360	69,051	346,906	(15,143)	4,119,174	43,480	174,996	(24,133)	4,313,517
Total Cost of Capital Assets	4,234,604	251,193	-	(14,967)	4,470,830	371,755	-	(26,920)	4,815,665
Less Accumulated Depreciation/Amortization	(1,604,266)	(136,785)	-	11,753	(1,729,298)	(145,268)	-	15,185	(1,859,381)
Total Capital Assets, Net	<u>\$ 2,630,338</u>	<u>\$ 114,408</u>	<u>\$ -</u>	<u>\$ (3,214)</u>	<u>\$ 2,741,532</u>	<u>\$ 226,487</u>	<u>\$ -</u>	<u>\$ (11,735)</u>	<u>\$ 2,956,284</u>

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2014	June 30, 2013
Services and Supplies	\$ 98,907	\$ 86,174
Accrued Interest	31,597	29,191
Salaries and Wages	26,010	24,821
Payroll Related Expenses	2,465	2,357
Contract Retainage Payable	16,070	9,507
Matured Bonds, COPs and Interest Payable	-	1,022
Other	23	42
Total	<u>\$ 175,072</u>	<u>\$ 153,114</u>

7. OPERATING LEASES

A. Receivables/Revenues

OUS receives rent income for land, property and equipment that is leased to non-State entities. Rental income received from leases was \$9,580 and \$9,296 for the years ended June 30, 2014 and 2013, respectively. The original cost of assets leased, net of depreciation, was \$45,774 and \$58,382 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2014 were:

For the year ending June 30,

2015	\$ 5,871
2016	4,664
2017	3,912
2018	3,380
2019	3,007
2020-2024	10,857
2025-2029	12,911
2030-2034	14,291
2035-2039	17,932
2040-2044	11,332
2045-2049	3,913
2050-2054	3,326
2055 and After	3,318
Total Minimum Operating Lease Revenues	<u>\$ 98,714</u>

B. Payables/Expenses

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$16,267 and \$16,336 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease payments on operating leases at June 30, 2014 were:

For the year ending June 30,

2015	\$ 13,803
2016	11,158
2017	9,505
2018	7,928
2019	6,629
2020-2024	21,868
2025-2029	6,392
2030-2034	1,350
2035-2039	1,260
2040-2044	1,256
2045-2049	1,256
2050-2054	1,256
2055 and after	5,379
Total Minimum Operating Lease Payments	<u>\$ 89,040</u>



OSU Cascades

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
General Obligation Bonds XI-F(1)	\$ 1,182,773	\$ 205,943	\$ (46,054)	\$ 1,342,662	\$ 49,339	\$ 1,293,323
General Obligation Bonds XI-G	413,021	956	(14,616)	399,361	15,733	383,628
General Obligation Bonds XI-Q	45,750	-	(2,665)	43,085	2,770	40,315
Oregon Department of Energy Loans (SELP)	108,201	16,327	(4,553)	119,975	5,404	114,571
Certificates of Participation (COPs)	84,547	-	(6,884)	77,663	5,660	72,003
Lottery Bonds	218,328	-	(4,355)	213,973	6,580	207,393
Capital Leases	560	-	(491)	69	25	44
Arbitrage	3	-	-	3	3	-
Installment Purchase	329	351	(122)	558	214	344
Total Long-Term Debt	2,053,512	223,577	(79,740)	2,197,349	85,728	2,111,621
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	99,168	-	(2,548)	96,620	1,787	94,833
Compensated Absences	53,415	54,131	(47,958)	59,588	51,208	8,380
OHSU Contract Payable	6,302	-	(6,302)	-	-	-
Other Postemployment Benefits	19,645	1,070	-	20,715	-	20,715
Employee Deferred Compensation	11,511	2,205	(1,349)	12,367	2,040	10,327
Employee Termination Liabilities	1,599	4,107	(453)	5,253	1,605	3,648
Unearned Revenue	1,697	-	(118)	1,579	100	1,479
Early Retirement Liability	1,543	177	(838)	882	339	543
Total Other Noncurrent Liabilities	194,880	61,690	(59,566)	197,004	57,079	139,925
Total Long-Term Liabilities	\$ 2,248,392	\$ 285,267	\$ (139,306)	\$ 2,394,353	\$ 142,807	\$ 2,251,546

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
General Obligation Bonds XI-F(1)	\$ 1,166,246	\$ 255,092	\$ (238,565)	\$ 1,182,773	\$ 45,829	\$ 1,136,944
General Obligation Bonds XI-G	418,076	74,784	(79,839)	413,021	14,615	398,406
General Obligation Bonds XI-Q	42,260	5,629	(2,139)	45,750	2,665	43,085
Oregon Department of Energy Loans (SELP)	96,599	15,691	(4,089)	108,201	4,734	103,467
Certificates of Participation (COPs)	97,404	-	(12,857)	84,547	6,885	77,662
Lottery Bonds	107,813	124,296	(13,781)	218,328	4,356	213,972
Capital Leases	556	75	(71)	560	79	481
Arbitrage	123	-	(120)	3	-	3
Installment Purchase	373	36	(80)	329	117	212
Total Long-Term Debt	1,929,450	475,603	(351,541)	2,053,512	79,280	1,974,232
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	101,379	-	(2,211)	99,168	1,844	97,324
Compensated Absences	51,478	49,587	(47,650)	53,415	40,215	13,200
OHSU Contract Payable	20,821	-	(14,519)	6,302	6,302	-
Other Postemployment Benefits	16,652	2,993	-	19,645	-	19,645
Employee Deferred Compensation	10,936	624	(49)	11,511	1,430	10,081
Employee Termination Liabilities	2,269	112	(782)	1,599	429	1,170
Unearned Revenue	1,797	-	(100)	1,697	100	1,597
Early Retirement Liability	2,688	496	(1,641)	1,543	777	766
Total Other Noncurrent Liabilities	208,020	53,812	(66,952)	194,880	51,097	143,783
Total Long-Term Liabilities	\$ 2,137,470	\$ 529,415	\$ (418,493)	\$ 2,248,392	\$ 130,377	\$ 2,118,015

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (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								
2015	\$ 100,375	\$ 30,519	\$ 4,358	\$ 11,129	\$ 9,032	\$ 13,954	\$ 31	\$ 230	\$ 169,628	\$ 72,079	\$ 97,549
2016	105,016	30,540	4,367	11,036	8,193	15,335	30	216	174,733	77,576	97,157
2017	104,258	30,574	3,867	10,854	8,011	16,752	18	95	174,429	78,298	96,131
2018	102,106	30,557	3,800	10,746	7,635	16,580	1	28	171,453	80,078	91,375
2019	101,563	29,740	3,796	10,627	6,732	15,638	-	20	168,116	82,353	85,763
2020-2024	467,132	144,412	15,109	50,220	31,465	89,460	-	-	797,798	436,181	361,617
2025-2029	426,900	134,385	11,320	49,843	30,175	79,246	-	-	731,869	485,013	246,856
2030-2034	351,402	93,524	7,123	23,632	8,471	43,687	-	-	527,839	390,868	136,971
2035-2039	256,882	60,149	2,608	810	1,603	-	-	-	322,052	266,464	55,588
2040-2044	82,202	13,662	-	-	-	-	-	-	95,864	87,315	8,549
Accreted Interest										39,629	(39,629)
										\$ 2,095,854	\$ 1,237,927
Total Future Debt Service	2,097,836	598,061	56,348	178,897	111,317	290,652	80	589	3,333,781		
Less: Interest Component of Future Payments	(818,083)	(211,229)	(18,470)	(58,922)	(36,185)	(94,999)	(11)	(28)	(1,237,927)		
Principal Portion of Future Payments	1,279,753	386,833	37,878	119,975	75,132	195,653	69	561	2,095,854		
Adjusted by:											
Unamortized Bond Premiums	62,909	12,529	5,207	-	2,530	18,320	-	-	101,495		
Total Long-Term Debt	\$ 1,342,662	\$ 399,362	\$ 43,085	\$ 119,975	\$ 77,662	\$ 213,973	\$ 69	\$ 561	\$ 2,197,349		

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 0.14 percent to 7.0 percent, are due serially through 2044.

During the fiscal year ended June 30, 2014, OUS issued bonded indebtedness as follows:

- \$115,105 of Series 2013 NO XI-F(1) Taxable and Tax Exempt bonds with an effective rate of 4.3 percent, due serially through 2044 for capital construction.
- \$68,440 of Series 2014 CD XI-F(1) Taxable and Tax Exempt with an effective rate of 3.6 percent, due serially through 2044 for capital construction.

During the fiscal year ended June 30, 2013, OUS issued bonded indebtedness as follows:

- \$231,970 of Series 2013 AB XI-F(1) Taxable and Tax Exempt bonds with an effective rate of 2.9 percent due serially through 2043, for capital construction and refunding.

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 0.25 percent to 7.0 percent, are due serially through 2042.

During the fiscal year ended June 30, 2014, the State did not issue any XI-G bonds on OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued bonded indebtedness on behalf of OUS as follows:

- \$71,345 of 2013 CD XI-G Taxable and Tax Exempt bonds with an effective rate of 2.8 percent due serially through 2037, for capital construction and refunding.

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 inter-agency agreement. The trustee, in turn, makes the debt service payments to XI-Q bondholders. XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036.

During the fiscal year ended June 30, 2014, the State did not issue any XI-Q bonds on OUS's behalf.

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

During the fiscal year ended June 30, 2013, the State issued on OUS's behalf XI-Q bonds as follows:

- \$4,543 of Series 2013 J XI-Q Tax Exempt bonds with an effective rate of 2.78 percent due serially through 2027, for re-funding.

D. Oregon Department of Energy Loans

OUS has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at OUS institutions. OUS makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.0 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 2.1 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 0.48 percent to 5.3 percent, are due through fiscal year 2033.

During the fiscal year ended June 30, 2014, the State issued no Lottery Bonds on OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on OUS's behalf Lottery Bonds as follows:

- Lottery Taxable and Tax Exempt Series 2013 ABC, \$108,414, effective rate of 3.2 percent for technology projects, construction and refunding due serially through 2033.

G. Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. The total arbitrage rebate liability as of June 30, 2014 and 2013 was \$3 and \$3, 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.

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, 2014 and 2013, long-term debt of OUS that relates to OHSU was \$39,448 and \$42,388, respectively.

I. Defeased Debt

From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease previously issued debt.

During the year ended June 30, 2014, OUS issued no XI-F(1), XI-G, XI-Q or Lottery Bonds to be used to defease previously issued debt.

During the year ended June 30, 2013, OUS issued \$196,135 in XI-F(1) bonds with an average interest rate of 3.2 percent to refund \$184,615 in XI-F(1) bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were \$208,711 (after bond premium of \$13,911 and payment of \$1,335 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$16,462. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by \$25,014 and resulted in an economic gain of \$19,773.

During the year ended June 30, 2013, OUS issued \$69,945 in XI-G bonds with an average interest rate of 3.2 percent to refund \$64,840 in XI-G bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were \$71,636 (after bond premium of \$2,173 and payment of \$482 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$6,278. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by \$9,072 and resulted in an economic gain of \$7,130.

During the year ended June 30, 2013, OUS issued \$4,543 in XI-Q bonds with an average interest rate of 5.0 percent to refund \$4,675 in COPs bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were \$5,605 (after bond premium of \$1,086 and payment of \$24 in underwriting and issuance costs).

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$734. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 19 years by \$224 and resulted in an economic gain of \$180.

During the year ended June 30, 2013, OUS issued \$11,703 in Lottery Bonds with an average interest rate of 1.7 percent to refund \$10,995 in Lottery Bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were \$11,638 (after payment of \$65 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$648. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by \$1,478 and resulted in an economic gain of \$1,419.

In prior years, OUS and OHSU defeased various bond issuances 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.

There was no defeased debt outstanding but removed from the the financial statements as of June 30, 2014. The total amount of the defeased debt outstanding but removed from the financial statements amounted \$418,320 at June 30, 2013; none of which was related to OHSU.

J. Financial Guarantees

OUS is a governmental agency of the State of Oregon. Therefore the State of Oregon is ultimately responsible for OUS's financial obligations. As of June 30, 2014, no amounts have been paid by the State of Oregon for OUS's financial obligations, both cumulatively and during the current reporting period.

K. Capital Leases

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$109 and \$737 as of June 30, 2014 and 2013, respectively. Accumulated depreciation of leased equipment totaled \$31 and \$222 for June 30, 2014 and 2013, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2018. 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 15.1 percent with a weighted average interest rate of 10.9 percent.

L. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined

to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid in the amount of \$6,255 and \$6,555 for June 30, 2014 and 2013, respectively. Principal payments of \$2,548 and \$2,211 were applied to the liability for June 30, 2014 and 2013, respectively.

M. Employee 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.

N. Employee Termination Liabilities

OUS has severance agreements with two former employees relating to early termination of their employment contracts. The future payout of these liabilities range from three to four years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.57 to 0.87 percent.

O. Early Retirement Liability

PSU offered a retirement incentive program to eligible faculty and staff. In exchange for relinquishing tenure and/or resigning, 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 was paid out in fiscal year 2013. Thirteen employees accepted the health benefit subsidy and a \$131 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. Seven employees accepted the offer to receive fixed health benefit subsidies until age 65, and a \$337 liability will be paid out through fiscal year 2021.

EOU offered a tenure relinquishment plan that closed November 30, 2011. Faculty that accepted the plan retired by December 31, 2012 and are receiving a fixed subsidy amount for health benefits covering the term until the faculty member turns 65. Seven faculty members continue to receive payments under this plan and a \$167 liability will be paid out through fiscal year 2019.

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

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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, 2014, eight retirees are participating in the health and benefits option of this plan and a \$246 liability will be paid out through fiscal year 2020.

Early retirement liabilities comprised \$339 and \$777 in Current Portion of Long-Term Liabilities and \$542 and \$766 in Long-Term Liabilities as of June 30, 2014 and 2013, 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.

9. PRIOR PERIOD RESTATEMENTS

There are no prior period restatements or corrections for OUS for fiscal years 2014 or 2013.

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2014	June 30, 2013
Interest Income	\$ 10,852	\$ 9,909
Net Appreciation of Investments	8,430	3,638
Royalties and Technology Transfer Income	19,743	20,603
Endowment Income	2,459	2,470
Trust Income Distribution	(2,441)	(2,458)
Gain (Loss) on Sale of Investment	5,112	1,784
Dividend Income	1	1
Other	972	43
	<u>\$ 45,128</u>	<u>\$ 35,990</u>

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

	June 30, 2014	June 30, 2013
Compensation and Benefits	\$ 1,610,507	\$ 1,527,124
Services and Supplies	559,846	534,778
Scholarships and Fellowships	140,893	139,156
Depreciation and Amortization	145,268	136,785
Other Expenses	11,193	11,242
	<u>\$ 2,467,707</u>	<u>\$ 2,349,085</u>

12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following:

	June 30, 2014		
	General Operation	Debt Service	Total
General Fund	\$ 316,469	\$ 38,882	\$ 355,351
Lottery Funding	4,000	13,830	17,830
Harvest Tax	3,919		3,919
Total State Appropriations	<u>324,388</u>	<u>52,712</u>	<u>377,100</u>
Federal Appropriations	9,273	-	9,273
County Appropriations	8,195	-	8,195
Total Appropriations	<u>\$ 341,856</u>	<u>\$ 52,712</u>	<u>\$ 394,568</u>
	June 30, 2013		
	General Operations	Debt Service	Total
General Fund	\$ 296,553	\$ 43,420	\$ 339,973
Lottery Funding	4,039	11,597	15,636
Harvest Tax	3,116	-	3,116
Total State Appropriations	<u>303,708</u>	<u>55,017</u>	<u>358,725</u>
Federal Appropriations	8,972	-	8,972
County Appropriations	7,326	-	7,326
Total Appropriations	<u>\$ 320,006</u>	<u>\$ 55,017</u>	<u>\$ 375,023</u>

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 provides a statewide defined benefit retirement plan in which OUS employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by ORS Chapters 238 and 238A. 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 cost-sharing multiple-employer defined benefit plan, consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier 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.

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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 has a separate category for firefighters, law enforcement and correction employees. The category includes police officers who are commissioned by a university under ORS 352.383 and are classified as police officers by the university. Police and Fire members are eligible to retire and begin collecting benefits sooner than general service workers, with pensions calculated at a higher rate. Separate contribution rates were developed to reflect the additional costs.

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. 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 rates for Tier One and Two are as follows:

	2014	2013
<u>Tier One - Tier Two</u>		
General Service	9.86%	9.55%
Police and Fire	17.13%	17.40%

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 the State actuarial pool 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 6.33 percent. Payroll assessments for the fiscal years ended June 30, 2014 and 2013 were \$37,083 and \$33,594, respectively.

The **Oregon Public Service Retirement Plan** (OPSRP) is composed of a pension program and an individual account program (IAP). The OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. The IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes. The 2003 Oregon Legislature enacted ORS 238.025 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 rates for OPSRP are as follows:

	2014	2013
<u>OPSRP</u>		
General Service	8.14%	8.05%
Police and Fire	10.87%	10.76%

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.

OUS employer contributions to PERS and OPSRP for the years ended June 30, 2014 and 2013 were \$50,814 and \$47,259, respectively, equal to the required contributions for those years.

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, 2012. 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, 2012, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$58.6 billion and \$1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$48.1 billion and \$1.2 billion, respectively. Information for OUS as a stand-alone entity is not available.

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

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 named

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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, except for one union at PSU where employees self-pay. The employer contribution rates for the ORP are as follows:

	2014	2013
ORP Tier One	16.50%	16.14%
ORP Tier Two	16.50%	16.14%
OPSRP Equivalent	6.42%	6.21%

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 7.0 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 11.9 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 1.0 percent. Employees may also con-

tribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case the employer contributes at a variable rate up to 5.0 percent. CSRS employees are also eligible for participation in the Thrift Savings Plan but without employer contributions.

Supplemental Retirement Plan (SRP)

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, 2014, the plan was fully funded.

Summary of Pension Payments

OUS total payroll for the year ended June 30, 2014 was \$1,077,437, of which \$867,091 was subject to retirement contributions. The following schedule lists pension payments made by OUS to pension plans for the fiscal year:

	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	\$ 50,814	5.86%	\$ 33,961	3.92%
ORP	30,088	3.47%	16,846	1.94%
TIAA-CREF	226	0.03%	226	0.03%
Federal	374	0.04%	118	0.01%
FERS - TSP	108	0.01%	341	0.04%
SRP	397	0.05%	-	0.00%
	<u>\$ 82,007</u>	<u>9.46%</u>	<u>\$ 51,492</u>	<u>5.94%</u>

Of the employee share, the employer paid \$33,630 of PERS/OPSRP, \$16,791 of ORP, and \$226 of TIAA-CREF during the fiscal year ended June 30, 2014. The federal contributions of \$118 represent FERS and CSRS employees, and the \$341 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2014.

OUS total payroll for the year ended June 30, 2013 was \$1,026,385, of which \$817,315 was subject to retirement contributions. The following schedule lists pension payments made by OUS to pension plans for the fiscal year:

	June 30, 2013			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	\$ 47,259	5.78%	\$ 32,045	3.92%
ORP	28,551	3.49%	15,922	1.95%
TIAA-CREF	224	0.03%	224	0.03%
Federal	406	0.05%	123	0.02%
FERS - TSP	115	0.01%	356	0.04%
SRP	792	0.10%	-	0.00%
	<u>\$ 77,347</u>	<u>9.46%</u>	<u>\$ 48,670</u>	<u>5.96%</u>

Of the employee share, the employer paid \$31,678 of PERS/OPSRP, \$15,878 of ORP, and \$224 of TIAA-CREF during the fiscal year ended June 30, 2013. The federal contributions of \$123

Notes to the Financial Statements For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

represent FERS and CSRS employees, and the \$356 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2013.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2014.

Funding Policy. OUS’s current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2014 and 2013, OUS paid healthcare insurance premiums of \$216,898 and \$208,843, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$1,861 and \$2,387 for the fiscal years ended 2014 and 2013, 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 a period not to exceed 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, 2014	June 30, 2013
Annual Required Contribution	\$ 3,597	\$ 5,969
Interest on Net OPEB Obligation	737	645
Adjustment to Annual Required Contribution	<u>(1,404)</u>	<u>(1,234)</u>
Annual OPEB Cost	2,930	5,380
Contributions Made	<u>(1,861)</u>	<u>(2,387)</u>
Increase in Net OPEB Obligation	1,069	2,993
Net OPEB Obligation - Beginning of Year	<u>19,646</u>	<u>16,653</u>
Net OPEB Obligation - End of Year	<u>\$ 20,715</u>	<u>\$ 19,646</u>

The OUS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation for the fiscal years ended 2014, 2013, and 2012 were as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 2,930	14%	\$ 20,715
2013	5,380	27%	19,646
2012	5,016	30%	16,653

Funding Status and Funding Progress. The funded status of the OUS OPEB plan for June 30, 2014 and 2013 were as follows:

	June 30, 2014	June 30, 2013
Actuarial Accrued Liabilities	\$ 29,474	\$ 44,133
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	<u>\$ 29,474</u>	<u>\$ 44,133</u>
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	\$ 863,481	\$ 817,099
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	3.41%	5.40%

Actuarial valuations, prepared biennially, 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.

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For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Significant methods and assumptions were as follows:

	June 30, 2014	June 30, 2013
Actuarial Valuation Date	7/1/2013	7/1/2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage	Level Percentage
Amortization Period	15 Years (open)	15 Years (open)
Investment Rate of Return	3.5%	3.5%
Projected Salary Increases	3.5%	3.5%
Initial Healthcare Inflation Rates	3.6% (medical), 2.2% (dental)	4% (medical), 2.7% (dental)
Ultimate Healthcare Inflation Rates	5.4% (medical), 5.0% (dental)	5.5% (medical), 5.0% (dental)

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, 2014 and 2013, was \$7,159 and \$7,109, respectively.

16. RISK FINANCING

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014 risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of \$3 million in case reserves.

In addition to the Office of Risk Management, the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

All seven OUS institutions and the Chancellor's Office participate in the program and make payments to the Fund based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims. The allocation model is based on actuarial experience modification calculations, expected losses, and university provided projected exposures for the future policy year.

The Fund manages a combination of self-insurance and excess insurance for the following potential risks:

- Real property loss for university owned buildings, equipment, automobiles and other types of property

- Tort liability claims brought against the universities, their officers, employees or agents
- Workers' compensation and employers liability
- Crime and fiduciary
- Specialty lines of business including marine, medical practicum, international travel, fine art, aircraft, camps, clinics and other items.

During the year ending June 30, 2014 the Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at \$9 billion and included a \$500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over \$190 towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as directors and officers, errors and omissions, and employment liability. Limits of liability for this program total \$50 million, and for general liability and educator's legal liability this is in excess of over \$1 million in the self-insured program.

Liabilities include an amount for claims that have been incurred but not reported (IBNR) of \$6,567. Changes in the balance of aggregate claims liabilities, including IBNR for property, liability, and workers' compensation insurance programs for the years ended June 30, 2014 and 2013 are as follows:

	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	\$ 14,677	\$ 766	\$ (3,800)	\$ 11,643
2013	11,098	7,335	(3,756)	14,677

The total claims liability at year end is included in Accounts Payable and Accrued Liabilities on the Statement of Net Position.

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 \$336,519 and \$272,839 at June 30, 2014 and 2013, 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, 2014.

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.

Notes to the Financial Statements

For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. 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, 2014.



PSU

Construction Commitments as of June 30, 2014

Campus/Project Description	Total Commitment	Completed to Date	Outstanding Commitment
<u>Eastern Oregon University:</u>			
Deferred Maintenance	\$ 27	\$ 1	\$ 26
<u>Oregon Institute of Technology:</u>			
Deferred Maintenance	2,457	1,100	1,357
Geothermal Power Plant	3,650	2,779	871
<u>Oregon State University:</u>			
AES Animal Research	2,240	100	2,140
Austin Hall (School of Business)	50,400	39,445	10,955
Beth Ray Academic Ctr (Student Success Ctr)	13,324	6,381	6,943
Capital Repair	26,447	21,285	5,162
Cultural Centers	4,015	621	3,394
Goss Stadium Locker Room	2,820	195	2,625
Johnson Hall (Engineering Bldg)	40,000	1,522	38,478
Learning Innovation Ctr (Classroom Bldg)	65,000	21,719	43,281
MU Renovation	9,578	7,583	1,995
OSU Cascade Campus	33,880	2,169	31,711
Space Improvement Program	3,000	848	2,152
Strand Agriculture Hall	6,851	2,101	4,750
Student Experience Center	42,800	20,198	22,602
Student Resource Center	4,400	31	4,369
Tebeau Hall (Student Resident Hall)	27,000	20,653	6,347
UHDS Renovations	4,650	677	3,973
<u>Portland State University:</u>			
Campus Moves	3,628	2,430	1,198
Capital Repair	38,689	21,462	17,227
Student Building Fee Projects	2,200	388	1,812
<u>Southern Oregon University:</u>			
Capital Repair	404	153	251
Student Recreation Center	6,300	364	5,936
Science Building Deferred Maintenance	22,555	3,001	19,554
<u>University of Oregon:</u>			
Allen Hall	10,873	7,456	3,417
Anstett Hall	6,761	5,682	1,079
Capital Repair	40,801	34,908	5,893
Central Kitchen/Woodshop	8,500	243	8,257
Erb Memorial Union	43,622	12,882	30,740
Fenton Hall	3,111	2,454	657
Global Scholars Hall	33,000	29,506	3,494
Science Library	1,000	432	568
Straub Hall	39,632	24,766	14,866
Student Recreation Center	33,950	23,596	10,354
<u>Western Oregon University:</u>			
Capital Repair	2,191	463	1,728
Health and Wellness Center	3,100	2,491	609
<u>Collaborative Projects:</u>			
Collaborative Life Science Building	60,137	59,503	634
Projects with <\$500 thousand remaining to be spent	147,896	142,643	5,253
Project Budgets <\$1 million	17,128	7,267	9,861
	\$ 868,017	\$ 531,498	\$ 336,519

18. SUBSEQUENT EVENTS

Bonded Indebtedness

On July 29, 2014, the State issued on behalf of OUS \$13,361 in Lottery Bonds with an average interest rate of 5.0 percent to refund \$14,250 in Lottery Bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were \$15,831 (after payment of \$65 in underwriting costs and bond premium of \$2,534).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$1,041. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by \$1,582 and resulted in an economic gain of \$1,314.

Risk Management Structure Changes

Effective July 1, 2014 the OUS Risk Fund (see Note 16) was transferred to the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. Under provisions of SB 270, all seven public universities are required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established OUS Risk Fund were transferred to the Trust on the effective date. The following risks have also been transferred from the Fund to the Trust:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against the universities, their officers, employees or agents
- Workers' compensation and employers liability
- Crime and fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

Oregon University System Structure Changes

Effective July 1, 2014 OSU, PSU and UO are independent legal entities, each governed by a Board of Trustees of the university. See Note 1 for additional information about this change in legal status.

19. 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, 2014 and 2013, except for Eastern Oregon University Foundation reporting for December 31, 2013 and 2012.

During the years ended June 30, 2014 and 2013, gifts of \$132,333 and \$114,900, respectively, were transferred from university foundations to OUS universities. All of the OUS affiliated foundations are audited annually and received unmodified audit opinions.

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 Development 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 97403-2253
- Western Oregon University Development Foundation, 345 North Monmouth Avenue, Monmouth, OR 97361

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Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Component Units

Combining Financial Statements

	Eastern Oregon University Foundation *	Oregon Tech Development Foundation	Oregon State University Foundation
Statements of Financial Position			
As of June 30, 2014			
ASSETS			
Cash and Cash Equivalents	\$ 1,310	\$ 57	\$ 13,693
Contributions, Pledges and Grants Receivable, Net	169	1,147	33,181
Investments	9,409	22,660	604,263
Prepaid Expenses and Other Assets	468	429	19,835
Property and Equipment, Net	1,096	205	12,407
Total Assets	\$ 12,452	\$ 24,498	\$ 683,379
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 12	\$ 21	\$ 9,827
Accounts Payable to Universities	-	182	4,962
Obligations to Beneficiaries of Split-Interest Agreements	-	298	27,734
Deposits and Unearned Revenue	-	-	-
Long-Term Liabilities	-	1,112	-
Total Liabilities	\$ 12	\$ 1,613	\$ 42,523
NET ASSETS			
Unrestricted Surplus (Deficit)	\$ 1,145	\$ 9,389	\$ 13,319
Temporarily Restricted	4,727	5,203	275,060
Permanently Restricted	6,568	8,293	352,477
Total Net Assets	\$ 12,440	\$ 22,885	\$ 640,856
Statements of Activities			
For the Year Ended June 30, 2014			
REVENUES			
Grants, Bequests and Gifts	\$ 1,200	\$ 1,112	\$ 65,200
Interest and Dividends	-	-	14,723
Investment Income, Net	759	2,714	61,125
Change in Value of Life Income Agreements	38	104	4,662
Other Revenues	408	80	17,761
Total Revenues	2,405	4,010	163,471
EXPENSES			
University Support	416	791	61,056
General and Administrative	112	296	9,780
Other Expenses	168	344	19,256
Total Expenses	696	1,431	90,092
Increase (Decrease) in Net Assets	1,709	2,579	73,379
NET ASSETS			
Beginning Balance	10,731	20,306	567,477
Ending Balance	\$ 12,440	\$ 22,885	\$ 640,856

* As of December 31, 2013

Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Total Component Units
\$ 1,094	\$ 625	\$ 19,097	\$ 902	\$ 36,778
8,745	92	102,432	1,024	146,790
81,989	26,783	793,941	12,865	1,551,910
9,201	1,887	14,094	129	46,043
34,706	-	17,393	162	65,969
\$ 135,735	\$ 29,387	\$ 946,957	\$ 15,082	\$ 1,847,490
\$ 1,429	\$ 17	\$ 1,305	\$ 8	\$ 12,619
883	695	14	-	6,736
1,171	536	50,335	1,129	81,203
6,129	164	17,318	-	23,611
44,173	385	28,513	-	74,183
\$ 53,785	\$ 1,797	\$ 97,485	\$ 1,137	\$ 198,352
\$ (2,873)	\$ 1,356	\$ 11,741	\$ 1,049	\$ 35,126
42,908	7,000	442,359	5,298	782,555
41,915	19,234	395,372	7,598	831,457
\$ 81,950	\$ 27,590	\$ 849,472	\$ 13,945	\$ 1,649,138
\$ 21,298	\$ 2,524	\$ 75,321	\$ 2,498	\$ 169,153
-	-	-	319	15,042
6,295	4,488	79,602	1,238	156,221
-	(30)	6,356	-	11,130
9,703	558	1,166	248	29,924
37,296	7,540	162,445	4,303	381,470
22,708	2,561	99,315	1,776	188,623
1,566	407	7,073	166	19,400
834	613	-	15	21,230
25,108	3,581	106,388	1,957	229,253
12,188	3,959	56,057	2,346	152,217
69,762	23,631	793,415	11,599	1,496,921
\$ 81,950	\$ 27,590	\$ 849,472	\$ 13,945	\$ 1,649,138

Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Component Units

Combining Financial Statements

	Eastern Oregon University Foundation *	Oregon Tech Development Foundation	Oregon State University Foundation
Statements of Financial Position			
As of June 30, 2013			
ASSETS			
Cash and Cash Equivalents	\$ 1,100	\$ 341	\$ 30,161
Contributions, Pledges and Grants Receivable, Net	328	2,772	42,019
Investments	7,758	19,365	499,486
Prepaid Expenses and Other Assets	430	33	15,784
Property and Equipment, Net	1,115	354	12,590
Total Assets	\$ 10,731	\$ 22,865	\$ 600,040
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ 36	\$ 3,462
Accounts Payable to Universities	-	144	2,782
Obligations to Beneficiaries of Split-Interest Agreements	-	327	26,319
Deposits and Unearned Revenue	-	-	-
Long-Term Liabilities	-	2,052	-
Total Liabilities	\$ -	\$ 2,559	\$ 32,563
NET ASSETS			
Unrestricted Surplus (Deficit)	\$ 830	\$ 8,746	\$ (3,912)
Temporarily Restricted	4,300	3,893	237,531
Permanently Restricted	5,601	7,667	333,858
Total Net Assets (Restated)	\$ 10,731	\$ 20,306	\$ 567,477
Statements of Activities			
For the Year Ended June 30, 2013			
REVENUES			
Grants, Bequests and Gifts	\$ 336	\$ 2,589	\$ 52,603
Interest and Dividends	-	-	15,068
Investment Income, Net	751	2,067	27,339
Change in Value of Life Income Agreements	29	77	2,009
Other Revenues	356	146	15,204
Total Revenues	1,472	4,879	112,223
EXPENSES			
University Support	441	1,055	48,746
General and Administrative	205	646	18,375
Other Expenses	-	15	7,839
Total Expenses	646	1,716	74,960
Increase (Decrease) In Net Assets	826	3,163	37,263
NET ASSETS			
Beginning Balance	9,905	17,143	530,214
Ending Balance	\$ 10,731	\$ 20,306	\$ 567,477

* As of December 31, 2012

Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013 (dollars in thousands)

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Total Component Units
\$ 1,177	\$ 513	\$ 30,716	\$ 1,023	\$ 65,031
6,977	151	93,339	17	145,603
69,527	22,694	733,939	11,448	1,364,217
8,941	1,836	12,640	63	39,727
35,589	-	8,304	168	58,120
\$ 122,211	\$ 25,194	\$ 878,938	\$ 12,719	\$ 1,672,698
\$ 1,867	\$ 26	\$ 1,672	\$ -	\$ 7,063
362	447	81	-	3,816
1,022	525	42,590	1,120	71,903
2,151	180	16,401	-	18,732
47,047	385	24,779	-	74,263
\$ 52,449	\$ 1,563	\$ 85,523	\$ 1,120	\$ 175,777
\$ (3,212)	\$ 182	\$ 10,035	\$ 1,062	\$ 13,731
35,641	4,740	414,149	3,393	703,647
37,333	18,709	369,231	7,144	779,543
\$ 69,762	\$ 23,631	\$ 793,415	\$ 11,599	\$ 1,496,921
\$ 19,203	\$ 1,642	\$ 143,468	\$ 1,065	\$ 220,906
-	-	-	312	15,380
3,546	1,940	67,365	424	103,432
-	(64)	4,584	-	6,635
8,736	1,089	1,240	210	26,981
31,485	4,607	216,657	2,011	373,334
19,297	2,142	136,937	2,400	211,018
2,153	901	6,900	160	29,340
-	33	-	-	7,887
21,450	3,076	143,837	2,560	248,245
10,035	1,531	72,820	(549)	125,089
59,727	22,100	720,595	12,148	1,371,832
\$ 69,762	\$ 23,631	\$ 793,415	\$ 11,599	\$ 1,496,921

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Net Position

As of June 30, 2014	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,516	\$ 9,937	\$ 115,303
Collateral from Securities Lending	441	998	11,540
Accounts Receivable, Net	3,614	4,725	98,807
Notes Receivable, Net	299	380	5,196
Inventories	571	85	1,960
Prepaid Expenses	6	394	3,687
Total Current Assets	10,447	16,519	236,493
Noncurrent Assets			
Cash and Cash Equivalents	1,626	3,696	33,756
Investments	3,946	5,605	101,712
Notes Receivable, Net	1,087	2,458	20,341
Due From Other OUS Funds and Entities	-	-	-
Capital Assets, Net of Accumulated Depreciation	79,771	96,885	890,467
Total Noncurrent Assets	86,430	108,644	1,046,276
TOTAL ASSETS	\$ 96,877	\$ 125,163	\$ 1,282,769
DEFERRED OUTFLOWS OF RESOURCES			
	\$ 1,784	\$ 1,795	\$ 10,456
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 2,786	\$ 3,814	\$ 62,659
Deposits	387	216	963
Obligations Under Securities Lending	441	998	11,540
Current Portion of Long-Term Liabilities	4,534	3,866	46,825
Unearned Revenue	1,634	2,552	39,987
Total Current Liabilities	9,782	11,446	161,974
Noncurrent Liabilities			
Long-Term Liabilities	75,044	90,836	659,559
Due to Other OUS Funds and Entities	-	-	-
Total Noncurrent Liabilities	75,044	90,836	659,559
TOTAL LIABILITIES	\$ 84,826	\$ 102,282	\$ 821,533
DEFERRED INFLOWS OF RESOURCES			
	\$ -	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 6,683	\$ 12,568	\$ 312,017
Restricted For:			
Nonexpendable Endowments	554	-	4,377
Expendable:			
Gifts, Grants, and Contracts	1,201	509	43,125
Student Loans	1,825	3,412	34,666
Capital Projects	1,287	1,321	24,121
Debt Service	2,118	1,674	12,878
Unrestricted	167	5,192	40,508
TOTAL NET POSITION	\$ 13,835	\$ 24,676	\$ 471,692

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 55,670	\$ 10,949	\$ 191,989	\$ 22,475	\$ 45,052	\$ -	\$ 456,891
5,286	1,163	19,330	2,106	5,976	-	46,840
62,904	6,225	70,912	6,376	2,113	-	255,676
1,677	720	4,055	1,412	2,047	-	15,786
574	142	3,706	1,080	-	-	8,118
2,155	94	5,269	119	463	(420)	11,767
128,266	19,293	295,261	33,568	55,651	(420)	795,078
13,109	22,531	76,588	4,342	21,613	-	177,261
30,789	8,400	106,617	11,262	30,829	-	299,160
5,993	2,897	16,952	2,856	2,003,139	(1,965,739)	89,984
-	-	1,395	-	-	(1,395)	-
463,164	81,570	1,240,807	102,782	838	-	2,956,284
513,055	115,398	1,442,359	121,242	2,056,419	(1,967,134)	3,522,689
\$ 641,321	\$ 134,691	\$ 1,737,620	\$ 154,810	\$ 2,112,070	\$ (1,967,554)	\$ 4,317,767
\$ 8,072	\$ 1,710	\$ 8,779	\$ 1,788	\$ 95	\$ -	\$ 34,479
\$ 31,758	\$ 3,761	\$ 49,551	\$ 5,969	\$ 14,774	\$ -	\$ 175,072
2,984	3,042	6,638	1,255	26,801	-	42,286
5,286	1,163	19,330	2,106	5,976	-	46,840
26,001	6,186	46,050	6,249	3,096	-	142,807
23,185	3,377	60,161	2,728	-	(420)	133,204
89,214	17,529	181,730	18,307	50,647	(420)	540,209
394,020	96,896	789,237	104,450	2,007,243	(1,965,739)	2,251,546
-	-	-	-	1,395	(1,395)	-
394,020	96,896	789,237	104,450	2,008,638	(1,967,134)	2,251,546
\$ 483,234	\$ 114,425	\$ 970,967	\$ 122,757	\$ 2,059,285	\$ (1,967,554)	\$ 2,791,755
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 87,363	\$ 12,977	\$ 547,604	\$ 4,167	\$ 432	\$ -	\$ 983,811
1,285	1,812	7,422	2	2,109	-	17,561
2,042	1,434	38,749	250	3,367	-	90,677
8,444	3,425	26,337	6,528	7	-	84,644
20,130	2,295	38,881	4,019	1,778	-	93,832
14,526	2,816	9,879	1,545	40,714	-	86,150
32,369	(2,783)	106,560	17,330	4,473	-	203,816
\$ 166,159	\$ 21,976	\$ 775,432	\$ 33,841	\$ 52,880	\$ -	\$ 1,560,491

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Revenues, Expenses, and Changes in Net Position

For The Year Ended June 30, 2014	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
OPERATING REVENUES			
Student Tuition and Fees, Net	\$ 15,093	\$ 21,488	\$ 263,975
Federal Grants and Contracts	1,804	910	158,291
State and Local Grants and Contracts	1,158	37	6,786
Nongovernmental Grants and Contracts	242	581	22,114
Educational Department Sales and Services	236	299	33,704
Auxiliary Enterprises Revenues, Net	6,397	6,609	128,820
Other Operating Revenues	646	284	8,186
Total Operating Revenues	25,576	30,208	621,876
OPERATING EXPENSES			
Instruction	15,785	24,470	243,734
Research	248	448	179,745
Public Service	1,796	112	77,820
Academic Support	6,052	5,196	61,925
Student Services	2,338	3,371	26,370
Auxiliary Programs	7,900	7,927	144,018
Institutional Support	5,155	5,517	61,523
Operation and Maintenance of Plant	3,117	3,260	30,805
Student Aid	4,741	4,301	30,547
Other Operating Expenses	5,047	4,234	54,938
Total Operating Expenses	52,179	58,836	911,425
Operating Income (Loss)	(26,603)	(28,628)	(289,549)
NONOPERATING REVENUES (EXPENSES)			
Government Appropriations	14,524	18,207	161,590
Grants	8,445	7,125	45,197
Investment Activity	413	330	17,291
Gain (Loss) on Sale of Assets, Net	(56)	(1,031)	(158)
Interest Expense	(3,881)	(2,650)	(25,453)
Other Nonoperating Items	(462)	2,351	43,768
Net Nonoperating Revenues (Expenses)	18,983	24,332	242,235
Income (Loss) Before Other Nonoperating Revenues	(7,620)	(4,296)	(47,314)
Debt Service Appropriations	4,160	2,496	16,696
Capital Grants and Gifts	43	470	24,739
Changes to Permanent Endowments	-	-	766
Transfers within OUS	3,346	(952)	(4,491)
Total Other Nonoperating Revenues	7,549	2,014	37,710
Increase (Decrease) In Net Position	(71)	(2,282)	(9,604)
NET POSITION			
Beginning Balance	13,906	26,958	481,296
Ending Balance	\$ 13,835	\$ 24,676	\$ 471,692

Supplementary Schedules (dollars in thousands)

	Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$	181,643	\$ 27,913	\$ 360,951	\$ 32,062	\$ 105	\$ -	\$ 903,230
	45,172	1,622	95,089	8,495	2,760	(4,359)	309,784
	5,245	730	2,110	1,551	325	-	17,942
	14,111	683	6,840	75	1,005	-	45,651
	6,522	2,193	15,761	657	40,484	(40,400)	59,456
	78,635	12,689	155,512	19,262	-	(33)	407,891
	12,585	2,312	10,303	2,083	2,114	-	38,513
	343,913	48,142	646,566	64,185	46,793	(44,792)	1,782,467
	155,959	31,004	253,585	35,462	778	(1,127)	759,650
	43,977	778	70,607	1,621	14	(4,580)	292,858
	12,809	3,102	37,895	381	3,877	(440)	137,352
	33,505	6,239	51,418	7,545	20	(238)	171,662
	16,446	5,026	35,593	6,233	-	(143)	95,234
	82,357	15,312	175,486	22,333	-	(1,649)	453,684
	38,603	6,052	52,937	4,995	10,135	(7,710)	177,207
	22,968	3,934	49,660	4,209	-	(1,697)	116,256
	32,074	8,026	16,486	7,655	-	-	103,830
	26,883	6,659	45,600	4,745	12,033	(165)	159,974
	465,581	86,132	789,267	95,179	26,857	(17,749)	2,467,707
	(121,668)	(37,990)	(142,701)	(30,994)	19,936	(27,043)	(685,240)
	59,371	14,032	49,431	15,441	9,260	-	341,856
	52,938	10,912	31,852	14,898	-	-	171,367
	2,458	642	20,491	521	2,982	-	45,128
	(1,084)	(4)	(295)	(12)	(2)	-	(2,642)
	(19,625)	(3,862)	(34,971)	(4,507)	(28,229)	27,043	(96,135)
	352	3,445	66,460	871	13	-	116,798
	94,410	25,165	132,968	27,212	(15,976)	27,043	576,372
	(27,258)	(12,825)	(9,733)	(3,782)	3,960	-	(108,868)
	12,658	4,456	12,363	3,513	(3,630)	-	52,712
	5,777	319	106,627	622	13	-	138,610
	-	-	10	-	-	-	776
	5,702	(1,235)	(3,678)	(74)	1,382	-	-
	24,137	3,540	115,322	4,061	(2,235)	-	192,098
	(3,121)	(9,285)	105,589	279	1,725	-	83,230
	169,280	31,261	669,843	33,562	51,155	-	1,477,261
\$	166,159	\$ 21,976	\$ 775,432	\$ 33,841	\$ 52,880	\$ -	\$ 1,560,491

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2014	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 15,212	\$ 19,979	\$ 262,737
Grants and Contracts	4,426	1,599	189,915
Educational Department Sales and Services	236	299	33,704
Auxiliary Enterprise Operations	6,319	6,572	126,150
Payments to Employees for Compensation and Benefits	(32,692)	(38,221)	(591,607)
Payments to Suppliers	(10,498)	(9,805)	(200,462)
Student Financial Aid	(5,273)	(4,415)	(42,689)
Other Operating Receipts (Payments)	693	465	(4,817)
Net Cash Provided (Used) by Operating Activities	(21,577)	(23,527)	(227,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government Appropriations	14,524	18,207	161,590
Grants	8,446	5,495	45,197
Private Gifts Received for Endowment Purposes	-	-	766
Other Gifts and Private Contracts	(462)	2,351	43,768
Net Agency Fund Receipts (Payments)	23	75	(4,421)
Net Transfers from (to) Other Funds and OUS Universities	3,354	(411)	9,475
Net Cash Provided (Used) by Noncapital Financing Activities	25,885	25,717	256,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt Service Appropriations	4,073	2,428	16,114
Capital Grants and Gifts	-	430	22,699
Bond Proceeds from Capital Debt	25	3,183	95,706
Sales of Capital Assets	546	-	3,972
Purchases of Capital Assets	(10,938)	(3,351)	(149,205)
Interest Payments on Capital Debt	(3,108)	(1,448)	(17,276)
Principal Payments on Capital Debt	(4,683)	(2,102)	(36,473)
Net Cash Provided (Used) by Capital and Related Financing Activities	(14,085)	(860)	(64,463)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Sales (Purchases) of Investments	2,313	2,571	36,947
Interest on Investments and Cash Balances	205	291	12,409
Net Cash Provided (Used) by Investing Activities	2,518	2,862	49,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,259)	4,192	14,199
CASH AND CASH EQUIVALENTS			
Beginning Balance	14,401	9,441	134,860
Ending Balance	\$ 7,142	\$ 13,633	\$ 149,059

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 180,001	\$ 28,166	\$ 363,550	\$ 32,500	\$ 105	\$ -	\$ 902,250
65,014	3,815	116,494	9,508	4,321	(4,332)	390,760
6,522	2,193	15,761	657	40,484	(40,400)	59,456
75,787	12,332	155,162	19,153	(67)	(33)	401,375
(291,211)	(54,976)	(520,823)	(61,469)	(9,670)	-	(1,600,669)
(120,119)	(19,317)	(173,035)	(19,494)	(10,276)	17,722	(545,284)
(34,858)	(7,596)	(35,764)	(8,707)	(1,592)	-	(140,894)
6,156	2,770	(4,335)	1,929	86	-	2,947
(112,708)	(32,613)	(82,990)	(25,923)	23,391	(27,043)	(530,059)
59,371	14,032	49,431	15,441	9,260	-	341,856
52,938	10,912	31,852	14,898	-	-	169,738
-	-	10	-	-	-	776
352	3,445	66,460	871	14	-	116,799
655	2,498	2,016	84	(13,204)	-	(12,274)
(601)	(2,226)	60,735	(1,759)	(68,567)	-	-
112,715	28,661	210,504	29,535	(72,497)	-	616,895
12,247	3,682	12,188	3,376	(1,396)	-	52,712
5,445	143	21,949	498	13	-	51,177
2,987	8,014	29,276	1,772	85,280	-	226,243
1,208	22	2,266	985	-	-	8,999
(28,701)	(2,188)	(78,656)	(3,168)	(13)	-	(276,220)
(15,045)	(2,644)	(22,691)	(3,159)	(57,866)	27,043	(96,194)
(4,792)	(1,386)	(6,491)	(905)	(25,574)	-	(82,406)
(26,651)	5,643	(42,159)	(601)	444	27,043	(115,689)
26,093	3,538	36,528	5,855	(31,384)	-	82,461
2,105	354	16,283	511	4,540	-	36,698
28,198	3,892	52,811	6,366	(26,844)	-	119,159
1,554	5,583	138,166	9,377	(75,506)	-	90,306
67,225	27,897	130,411	17,440	142,171	-	543,846
\$ 68,779	\$ 33,480	\$ 268,577	\$ 26,817	\$ 66,665	\$ -	\$ 634,152

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows - Continued

For the Year Ended June 30, 2014	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (26,603)	\$ (28,628)	\$ (289,549)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,923	4,262	49,518
Changes in Assets and Liabilities:			
Accounts Receivable	1,587	(1,307)	(17,090)
Notes Receivable	37	(83)	809
Inventories	29	(4)	(67)
Prepaid Expenses	5	1,728	626
Accounts Payable and Accrued Liabilities	(359)	286	20,461
Long-Term Liabilities	118	122	6,129
Unearned Revenue	(314)	97	2,094
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (21,577)	\$ (23,527)	\$ (227,069)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS			
Capital Assets Acquired by Gifts in Kind	\$ 42	\$ 40	\$ 2,040
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	207	40	4,882
Internal Bank Loans Converted to XI-F(1) Debt	13,955	35,205	248,744

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ (121,668)	\$ (37,990)	\$ (142,701)	\$ (30,994)	\$ 19,936	\$ (27,043)	\$ (685,240)
24,442	4,320	52,746	5,755	303	-	145,269
(8,893)	165	(5,991)	(804)	(1,864)	-	(34,197)
(248)	421	(885)	133	-	-	184
(72)	403	14	(54)	-	-	249
(408)	(74)	(1,247)	(1)	12,188	(27)	12,790
(4,806)	(511)	6,103	(428)	(6,739)	-	14,007
237	106	1,911	236	(433)	-	8,426
(1,292)	547	7,060	234	-	27	8,453
\$ (112,708)	\$ (32,613)	\$ (82,990)	\$ (25,923)	\$ 23,391	\$ (27,043)	\$ (530,059)
\$ 332	\$ 177	\$ 84,678	\$ 123	\$ -	\$ -	\$ 87,432
353	288	4,208	10	(1,558)	-	8,430
141,479	18,757	320,079	46,591	(824,810)	-	-

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Net Position

As of June 30, 2013	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 7,069	\$ 6,811	\$ 82,756
Collateral from Securities Lending	529	881	11,012
Accounts Receivable, Net	5,114	3,350	81,135
Notes Receivable, Net	259	503	4,793
Inventories	600	81	1,893
Prepaid Expenses	11	2,122	4,313
Total Current Assets	13,582	13,748	185,902
Noncurrent Assets			
Cash and Cash Equivalents	7,332	2,630	52,104
Investments	5,996	7,934	130,615
Notes Receivable, Net	1,164	2,252	21,553
Due From Other OUS Funds and Entities	-	-	-
Capital Assets, Net of Accumulated Depreciation	73,062	98,665	789,244
Total Noncurrent Assets	87,554	111,481	993,516
TOTAL ASSETS	\$ 101,136	\$ 125,229	\$ 1,179,418
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,733	\$ 1,758	\$ 10,839
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 2,118	\$ 2,204	\$ 30,395
Deposits	364	141	5,384
Obligations Under Securities Lending	529	881	11,012
Current Portion of Long-Term Liabilities	2,567	1,459	22,965
Unearned Revenue	1,948	4,086	37,893
Total Current Liabilities	7,526	8,771	107,649
Noncurrent Liabilities			
Long-Term Liabilities	67,298	55,255	337,408
Due to Other OUS Funds and Entities	14,139	36,003	263,904
Total Noncurrent Liabilities	81,437	91,258	601,312
TOTAL LIABILITIES	\$ 88,963	\$ 100,029	\$ 708,961
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 6,613	\$ 14,158	\$ 302,186
Restricted For:			
Nonexpendable Endowments	554	-	3,612
Expendable:			
Gifts, Grants, and Contracts	992	338	42,708
Student Loans	1,765	3,393	34,508
Capital Projects	2,061	1,334	19,416
Debt Service	1,613	835	4,353
Unrestricted	308	6,900	74,513
TOTAL NET POSITION	\$ 13,906	\$ 26,958	\$ 481,296

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 36,521	\$ 5,862	\$ 93,543	\$ 13,716	\$ 99,260	\$ -	\$ 345,538
6,101	1,065	12,221	1,905	-	-	33,714
53,600	5,617	64,746	5,434	2,483	-	221,479
1,350	801	3,538	801	4,478	-	16,523
502	545	3,720	1,026	-	-	8,367
1,747	20	4,022	118	12,651	(447)	24,557
99,821	13,910	181,790	23,000	118,872	(447)	650,178
30,704	22,035	36,868	3,724	42,911	-	198,308
55,458	11,216	134,673	16,642	2,183	-	364,717
6,072	3,237	16,584	3,600	37,910	-	92,372
-	-	-	-	782,334	(782,334)	-
457,638	83,826	1,131,326	106,641	1,130	-	2,741,532
549,872	120,314	1,319,451	130,607	866,468	(782,334)	3,396,929
\$ 649,693	\$ 134,224	\$ 1,501,241	\$ 153,607	\$ 985,340	\$ (782,781)	\$ 4,047,107
\$ 7,870	\$ 1,864	\$ 9,386	\$ 1,746	\$ 7,758	\$ -	\$ 42,954
\$ 28,757	\$ 3,329	\$ 29,714	\$ 5,447	\$ 51,150	\$ -	\$ 153,114
2,329	544	4,622	1,171	36,643	-	51,198
6,101	1,065	12,221	1,905	-	-	33,714
11,452	2,492	19,861	2,171	67,410	-	130,377
24,477	2,830	53,101	2,494	-	(447)	126,382
73,116	10,260	119,519	13,188	155,203	(447)	494,785
268,658	74,761	467,061	60,834	786,740	-	2,118,015
146,509	19,806	254,204	47,769	-	(782,334)	-
415,167	94,567	721,265	108,603	786,740	(782,334)	2,118,015
\$ 488,283	\$ 104,827	\$ 840,784	\$ 121,791	\$ 941,943	\$ (782,781)	\$ 2,612,800
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 98,355	\$ 17,862	\$ 491,719	\$ 8,544	\$ 2,215	\$ -	\$ 941,652
1,285	1,812	7,412	2	2,108	-	16,785
1,169	1,171	30,389	106	3,040	-	79,913
8,254	4,016	25,292	6,566	7	-	83,801
6,806	3,113	35,658	2,933	6,150	-	77,471
1,539	1,353	1,854	693	49,892	-	62,132
51,872	1,934	77,519	14,718	(12,257)	-	215,507
\$ 169,280	\$ 31,261	\$ 669,843	\$ 33,562	\$ 51,155	\$ -	\$ 1,477,261

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Revenues, Expenses, and Changes in Net Position

For The Year Ended June 30, 2013	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
OPERATING REVENUES			
Student Tuition and Fees, Net	\$ 13,935	\$ 19,066	\$ 228,436
Federal Grants and Contracts	1,880	2,190	165,544
State and Local Grants and Contracts	205	173	6,994
Nongovernmental Grants and Contracts	98	419	18,928
Educational Department Sales and Services	203	445	35,402
Auxiliary Enterprises Revenues, Net	6,975	6,950	124,421
Other Operating Revenues	610	236	7,655
Total Operating Revenues	23,906	29,479	587,380
OPERATING EXPENSES			
Instruction	16,833	21,854	218,010
Research	251	593	179,196
Public Service	1,992	256	75,395
Academic Support	5,389	6,259	56,501
Student Services	2,467	3,040	25,319
Auxiliary Programs	8,284	7,428	129,770
Institutional Support	5,578	5,433	56,572
Operation and Maintenance of Plant	3,078	3,217	30,653
Student Aid	5,036	4,641	28,326
Other Operating Expenses	3,516	3,023	46,559
Total Operating Expenses	52,424	55,744	846,301
Operating Income (Loss)	(28,518)	(26,265)	(258,921)
NONOPERATING REVENUES (EXPENSES)			
Government Appropriations	13,850	16,614	150,487
Grants	9,414	7,250	43,193
Investment Activity	323	253	15,591
Gain (Loss) on Sale of Assets, Net	-	-	(66)
Interest Expense	(3,242)	(3,116)	(27,141)
Other Nonoperating Items	408	3,569	43,127
Net Nonoperating Revenues (Expenses)	20,753	24,570	225,191
Income (Loss) Before Other Nonoperating Revenues	(7,765)	(1,695)	(33,730)
Debt Service Appropriations	4,254	2,669	19,250
Capital Grants and Gifts	34	785	17,105
Changes to Permanent Endowments	-	-	238
Transfers within OUS	1,159	(444)	(2,352)
Total Other Nonoperating Revenues	5,447	3,010	34,241
Increase (Decrease) In Net Position	(2,318)	1,315	511
NET POSITION			
Beginning Balance	16,224	25,643	480,785
Ending Balance	\$ 13,906	\$ 26,958	\$ 481,296

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 174,346	\$ 26,242	\$ 344,313	\$ 28,684	\$ 105	\$ -	\$ 835,127
48,353	2,293	95,157	9,351	4,431	(4,708)	324,491
4,675	564	1,821	1,189	(324)	-	15,297
9,203	576	7,909	88	1,267	-	38,488
6,517	2,269	15,494	574	38,481	(38,372)	61,013
80,999	16,404	145,106	19,572	-	(41)	400,386
131	1,195	10,818	2,025	3,752	-	26,422
324,224	49,543	620,618	61,483	47,712	(43,121)	1,701,224
157,376	29,911	239,858	33,593	1,182	-	718,617
47,764	887	71,234	2,547	8	(4,190)	298,290
9,706	3,067	37,674	467	5,095	-	133,652
32,898	7,353	47,211	7,215	-	(15)	162,811
17,409	4,890	32,294	6,068	-	-	91,487
83,172	17,500	164,860	22,613	-	-	433,627
33,159	5,679	50,636	4,562	13,289	(27)	174,881
21,736	3,951	47,417	3,923	-	-	113,975
32,314	6,903	15,902	7,720	-	-	100,842
21,327	4,164	31,589	3,650	7,592	(517)	120,903
456,861	84,305	738,675	92,358	27,166	(4,749)	2,349,085
(132,637)	(34,762)	(118,057)	(30,875)	20,546	(38,372)	(647,861)
54,802	13,436	47,342	14,131	9,344	-	320,006
51,441	11,396	31,758	15,511	-	-	169,963
2,062	462	17,228	480	(409)	-	35,990
12	(2)	54	2	-	-	-
(21,583)	(3,175)	(34,351)	(4,425)	(33,335)	38,372	(91,996)
2,015	2,902	58,077	368	7,607	-	118,073
88,749	25,019	120,108	26,067	(16,793)	38,372	552,036
(43,888)	(9,743)	2,051	(4,808)	3,753	-	(95,825)
13,369	4,744	13,600	3,848	(6,717)	-	55,017
2,442	313	32,767	1,129	-	-	54,575
-	-	2	-	-	-	240
5,022	(227)	937	(462)	(3,561)	(72)	-
20,833	4,830	47,306	4,515	(10,278)	(72)	109,832
(23,055)	(4,913)	49,357	(293)	(6,525)	(72)	14,007
192,335	36,174	620,486	33,855	57,680	72	1,463,254
\$ 169,280	\$ 31,261	\$ 669,843	\$ 33,562	\$ 51,155	\$ -	\$ 1,477,261

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2013	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 14,935	\$ 20,837	\$ 233,930
Grants and Contracts	2,220	3,197	190,011
Educational Department Sales and Services	203	445	35,402
Auxiliary Enterprise Operations	7,055	7,042	122,450
Payments to Employees for Compensation and Benefits	(33,467)	(35,829)	(551,911)
Payments to Suppliers	(12,734)	(11,781)	(205,988)
Student Financial Aid	(5,306)	(4,686)	(39,792)
Other Operating Receipts (Payments)	1,265	(774)	4,814
Net Cash Provided (Used) by Operating Activities	(25,829)	(21,549)	(211,084)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government Appropriations	12,722	15,959	148,444
Grants	9,414	7,250	43,193
Private Gifts Received for Endowment Purposes	-	-	238
Other Gifts and Private Contracts	408	3,569	43,127
Net Agency Fund Receipts (Payments)	(664)	(796)	(4,078)
Net Transfers from (to) Other Funds and OUS Universities	2,914	8,812	15,312
Net Cash Provided (Used) by Noncapital Financing Activities	24,794	34,794	246,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt Service Appropriations	4,254	2,669	19,250
Capital Grants and Gifts	34	785	15,104
Bond Proceeds from Capital Debt	29,472	26,547	82,746
Sales of Capital Assets	-	116	257
Purchases of Capital Assets	(11,542)	(29,975)	(71,459)
Interest Payments on Capital Debt	(3,242)	(3,116)	(27,312)
Principal Payments on Capital Debt	(8,791)	(3,938)	(48,488)
Net Cash Provided (Used) by Capital and Related Financing Activities	10,185	(6,912)	(29,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Sales (Purchases) of Investments	(2,411)	(3,158)	(17,159)
Interest on Investments and Cash Balances	222	234	13,011
Net Cash Provided (Used) by Investing Activities	(2,189)	(2,924)	(4,148)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,961	3,409	1,102
CASH AND CASH EQUIVALENTS			
Beginning Balance	7,440	6,032	133,758
Ending Balance	\$ 14,401	\$ 9,441	\$ 134,860

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ 185,414	\$ 29,407	\$ 352,730	\$ 30,571	\$ 207	\$ -	\$ 868,031
66,251	3,301	91,467	10,566	5,493	(4,682)	367,824
6,517	2,269	15,494	574	38,480	(38,372)	61,012
85,906	16,625	138,729	19,581	-	(41)	397,347
(286,243)	(54,369)	(489,682)	(59,695)	(10,709)	-	(1,521,905)
(107,897)	(20,314)	(168,496)	(17,706)	5,166	4,723	(535,027)
(35,643)	(6,898)	(36,411)	(8,894)	(1,529)	-	(139,159)
(7,198)	1,644	12,850	1,951	(2,757)	-	11,795
(92,893)	(28,335)	(83,319)	(23,052)	34,351	(38,372)	(490,082)
54,100	13,167	46,761	13,658	15,194	-	320,005
51,441	11,396	31,758	15,511	-	-	169,963
-	-	2	-	-	-	240
2,015	2,902	58,077	369	7,607	-	118,074
(4,183)	(1,395)	(6,243)	(913)	9,066	-	(9,206)
8,674	5,520	(10,786)	(2,366)	(28,080)	-	-
112,047	31,590	119,569	26,259	3,787	-	599,076
13,369	4,744	13,600	3,848	(6,717)	-	55,017
1,893	1	13,639	1,040	-	-	32,496
44,007	34,530	58,324	17,199	200,386	-	493,211
1,388	243	927	225	-	-	3,156
(34,366)	(8,722)	(62,571)	(9,834)	(174)	-	(228,643)
(21,822)	(3,175)	(35,399)	(4,425)	(35,073)	38,372	(95,192)
(38,999)	(10,111)	(42,749)	(9,049)	(183,241)	-	(345,366)
(34,530)	17,510	(54,229)	(996)	(24,819)	38,372	(85,321)
(10,076)	(2,649)	(1,778)	(1,997)	(6,837)	-	(46,065)
1,890	322	15,190	475	1,085	-	32,429
(8,186)	(2,327)	13,412	(1,522)	(5,752)	-	(13,636)
(23,562)	18,438	(4,567)	689	7,567	-	10,037
90,787	9,459	134,978	16,751	134,604	-	533,809
\$ 67,225	\$ 27,897	\$ 130,411	\$ 17,440	\$ 142,171	\$ -	\$ 543,846

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows - Continued

For the Year Ended June 30, 2013	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (28,518)	\$ (26,265)	\$ (258,921)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,146	3,776	47,061
Changes in Assets and Liabilities:			
Accounts Receivable	1,879	401	(2,590)
Notes Receivable	(5)	288	487
Inventories	(32)	11	63
Prepaid Expenses	13	(176)	(337)
Accounts Payable and Accrued Liabilities	(2,254)	(430)	578
Long-Term Liabilities	44	267	1,245
Unearned Revenue	(102)	579	1,330
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (25,829)	\$ (21,549)	\$ (211,084)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS			
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 39	\$ -	\$ -
Capital Assets Acquired by Gifts in Kind	-	-	2,001
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	101	19	2,580

Supplementary Schedules (dollars in thousands)

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ (132,637)	\$ (34,762)	\$ (118,057)	\$ (30,875)	\$ 20,546	\$ (38,372)	\$ (647,861)
26,198	3,892	47,064	5,374	274	-	136,785
11,929	4,349	(7,116)	2,311	(6,285)	-	4,878
523	(469)	(582)	(439)	-	-	(197)
(82)	45	(753)	(12)	-	-	(760)
1	26	1,966	128	(478)	(26)	1,117
2,348	(1,128)	(5,352)	583	20,160	-	14,505
(1,386)	(111)	1,061	(9)	137	-	1,248
213	(177)	(1,550)	(113)	(3)	26	203
\$ (92,893)	\$ (28,335)	\$ (83,319)	\$ (23,052)	\$ 34,351	\$ (38,372)	\$ (490,082)

\$ -	\$ -	\$ 37	\$ -	\$ -	\$ -	\$ 76
549	312	19,128	89	-	-	22,079
172	140	2,038	5	(1,494)	-	3,561

Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/2010	-	41,250	41,250	0.0%	707,222	5.8%
6/30/2011	-	43,603	43,603	0.0%	735,215	5.9%
6/30/2012	-	42,593	42,593	0.0%	778,393	5.5%
6/30/2013	-	44,133	44,133	0.0%	817,099	5.4%
6/30/2014	-	29,474	29,474	0.0%	863,481	3.4%

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

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