



# Oregon University System

## 2013 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 2013 Annual Report

## | TABLE OF CONTENTS |

State Board of Higher Education and OUS Executive Officers	1
System Universities and University Presidents	2
Message from the Interim Chancellor	3
Independent Auditor's Report	8
Management's Discussion and Analysis	10
Statements of Net Position – University System	18
Statements of Financial Position – Component Units	19
Statements of Revenues, Expenses and Changes in Net Position – University System	20
Statements of Activities – Component Units	21
Statements of Cash Flows – University System	22
Notes to the Financial Statements	24
Supplementary Schedules	52
Required Supplementary Information	68

Cover photo: SOU; small cover photos from left—  
OIT Wilsonville, PSU, OSU, EOU, UO; photo to the right: EOU.





## | STATE BOARD OF HIGHER EDUCATION |

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

## | OREGON UNIVERSITY SYSTEM EXECUTIVE OFFICERS |

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

## | SYSTEM UNIVERSITIES |

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

**Oregon Institute of Technology**—OIT, the Northwest's only polytechnic institution, was founded in 1947 and serves the state with programs in business, engineering and health technologies, and cooperative programs in dental health and nursing. OIT is located in Klamath Falls, Oregon and offers statewide opportunities with an expanding presence in the Portland metro area.

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

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

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

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

**Western Oregon University**—WOU was founded in 1856 as a teachers college and provides programs in liberal arts and sciences and professional programs in education, business, and public services; and a cooperative program in nursing. WOU is located in Monmouth, Oregon.

## | UNIVERSITY PRESIDENTS |



This past year represents several historic and important milestones for the Oregon University System. Besides our continued growth in student enrollment and degrees, Oregon is being recognized nationally for its far-reaching higher education reform plan. These efforts are focused on maximizing institutional flexibility and coordination of the entire educational continuum, from Pre-K through graduate education, for a very important outcome: the success of all of our students in all of our diverse communities across Oregon.

In other words, it's an exciting, vibrant period for OUS. From new administrative and operational functions already achieving cost savings, to meeting the state's 40-40-20 goal by innovating in the classroom, the OUS is moving ahead to meet the needs of our students, universities, partners, and the state, as it also works with state leaders on system governance.

### **Improving Student Outcomes Yields High Returns**

A source of pride for the state are the accessible, high quality academic programs offered at OUS' seven universities and one branch campus. Amid enrollment and degree increases that lead most states, and state funding that trails most states, our faculty, staff and students have achieved at record levels in almost all regards. To do this takes a collective, common commitment to student success through affordable programs, a portfolio of diverse support services, and pathways to degrees defined by doorways not barriers.

Those doorways have been built through collaborative programs within and among our universities, and also with our community college and PK-12 partners across the state. There is a shared understanding in Oregon, guided by our Governor's and Legislature's leadership, that the only way to increase success outcomes for students is to view their achievement as a continuum, from pre-Kindergarten through higher education. Through work by the Oregon Education Investment Board, the State Board of Higher Education, and System and University leaders, we now have a set of performance outcomes that will be used to assess and improve student success, leading to higher retention, more degrees, and students who contribute to the state's vitality after they graduate and enter the workforce.

Innovating in the classroom and with our PK-12 and community college partners has led to new highs in student attainment, now exceeding 20,000 degrees a year for OUS. This puts us on a good trajectory to meet the state's 40-40-20 goal by 2025, bringing us to 40 percent of Oregonians with a bachelor's degree or higher, 40 percent with an associate's degree or meaningful certificate, and all Oregonians with a high school diploma. Yet there is recognition that the students who are now in the postsecondary pipeline will need a greater level of comprehensive support once they get to our universities as more of them will be first generation college students from less advantaged backgrounds. Some students may be less prepared for the academic rigor of college. This takes more resources to ensure students persist and succeed, and get an equitable shot at achieving their American Dream. Led by the State Board of Higher Education, all of the campuses have developed plans for reaching their component of the 40-40-20 goal, aligned with achievement compacts with the state, on attaining student outcomes leading to degrees and success in the workplace.

Within our campuses and through the System office, OUS annually works with more than 200,000 PK-12 students in almost 100 academic enrichment programs across the state. These important bridges to college and careers are an integral part of OUS' mission, and are funded primarily through federal and philanthropic grants and in-kind and other contributions from our campuses. This support is recognition of the power of pre-college preparation programs in moving students forward, through and to a college degree.

Other important PK-12 efforts include OUS leadership on the implementation of the Common Core State Standards, a national effort that builds a strong academic skill set with elementary and high school students, helping them be prepared for the academic rigor of college and be successful in the workplace. Combined with expanded dual enrollment programs, where students earn college credits while still in high school, freshmen are not only more prepared for the rigor of our universities, they also have a more affordable path to completion.



PHOTO BY CHERYL JUETTEN

Interim Chancellor Melody Rose

With almost half of our entering class each fall now made up of community college transfers, OUS and the Department of Community Colleges and Workforce Development (CCWD) continue to help students to degree through collaborative programs that ease transfer and increase success. For example, over the last year OUS and CCWD were one of five state collaboratives awarded a grant from the Lumina Foundation to institute Reverse Transfer, a new degree-attainment tool piloted and then fully instituted statewide. For students who transfer to OUS before getting a 2-year degree at a community college, Reverse Transfer awards the degree once the student accumulates the necessary credits at an OUS campus. This improves student retention and motivation to complete a bachelor's degree, gives students another credential to help in their career, and gives the community college credit for the degree. Other strategies, including degree mapping and considering students' prior learning in awarding credit, are helping to move students toward degree faster, more cost effectively, and in a more supported fashion.

**Operational Innovation Leads to Cost Savings, Efficiencies**

Enriching our system and campus operations with cost-effective, efficient and sustainable programs and services has been a key focus over the last year. The new approaches, implemented through legislation starting in early 2012, included developing our own risk management, legal and treasury programs. These have not only yielded cost savings, but also positive results in other ways as these programs are now specifically tailored to higher education.

For example, in the past OUS risk management was administered and held in a pool with all other state agencies in the Department of Administrative Services. With changes in law, OUS has established a strategic risk management function. This includes a three year strategic plan, several task forces to address specific risk areas, inclusion in like-higher education insurance pools, and

a proactive approach to higher education risk that is influencing the culture of risk awareness throughout our institutions, while also lowering costs.

Other finance and administration programs and systems are described later in the Annual Report, but the implementation of OUS-administered programs once run by other state agencies is another source of pride. The tremendous systems and practices now in place are due to the collaborative effort within the OUS, and the sheer hard work it took to implement these efficiencies. My gratitude goes out to the Chancellor's Office staff and our campus partners for making good on our promise of lower costs and increased accountability and efficiency for the Oregon public.

**Reform and Governance Changes Bring a New Focus**

The assets and authorities within the Chancellor's Office that facilitate student success and system efficiency will transition to newly established entities beginning in mid-2014, based on laws passed in the 2013 Legislative Session. These entities include institutional boards at Oregon State University, Portland State University and the University of Oregon; the Higher Education Coordinating Commission which will oversee postsecondary education in the state; a Shared Services facility serving campus needs; and potentially other organizations, such as a new governance model for the OUS' regional and technical universities, additional institutional boards, or other structures.

While some details of the new higher education landscape are not yet known, refinement and details will be determined over the next 12-18 months as working groups, the campuses, the legislature and the Governor develop the optimal structure to fulfill the promise of the 40-40-20 goal: more highly educated Oregonians to meet state workforce, community, and economic needs statewide.

This is an exciting time for higher education in Oregon. OUS is bringing a lot of assets to the table: high quality universities, faculty and staff; an excellent, diverse student body; and a collective desire to do better for students every day. Thank you to all of our colleagues for producing graduates who are contributing in meaningful, dynamic ways to Oregon's economy and its prosperity.



Melody Rose  
Interim Chancellor



OSU



- EOU's 2013 biology graduates placed in the top 25 percent in nationwide Major Field Test of the sub-discipline of molecular biology and genetics, with an overall ranking in the top 40 percent.
- Alumnus and composer Jesse Jones wins the Rome Prize for his work "Of the Soul." Jones is a doctoral candidate at Cornell University and teaches at the University of South Carolina.
- The first students earn certificates in computer programming through EOU's innovative public-private partnership with Cayuse Technologies in Pendleton.
- EOU's Foundation announced a \$934,000 scholarship endowment from Charles and Rhoda Chollet. The gift is the third largest ever received and helps needy students majoring in science and education.
- Eastern Promise initiative receives funding for early college engagement partnership with InterMountain Education Service District, Blue Mountain and Treasure Valley community colleges.



- Oregon Tech expanded opportunities for students, nearby communities and companies, with the opening of its new Wilsonville campus with the help of a \$12 million state investment; which also provides an opportunity to increase the campus size to serve more Oregon students.
- All Oregon Tech engineering programs are now accredited by the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology, with the recent achievement of our Electrical Engineering degree receiving the remaining Accreditation.
- Oregon Tech earned the number six spot among baccalaureate colleges in the western region in the 2014 *US News & World Report* "Best of Colleges," and placed among the Top 60 Engineering Bachelors and Masters universities. It ranked among the top 20 percent of all four-year and graduate universities in the U.S. by *Forbes'* magazine annual ranking

of Top Colleges and as one of the Top 25 Colleges for Best Return on Investment by AdvisorOne.

- Construction on infrastructure and installation of a new 1.75 MW geothermal power plant began at the Oregon Tech Klamath Falls campus. When completed in December 2013, OIT's 2.0 MW solar array project with Solar City may become the first university in North America to reach a major goal to generate most—if not all—of the campus' own electrical power needs.
- To train undergraduate students with the most advanced ultrasound technology available, Oregon Tech installed sixteen Aplio™ 300 ultrasound systems from Toshiba America Medical Systems, Inc. to teach students in three medical imaging programs.



- OSU's research revenue totaled \$263 million in 2013 – representing a 69 percent increase over the past decade. OSU received a record \$7.7 million in licensing and royalty income in 2013. Private sector financing reached nearly \$36 million, a 65 percent increase in the past five years.
- The Campaign for OSU – Oregon State's first comprehensive campaign – stands at \$952.6 million of the campaign's lofty \$1 billion goal. The original campaign goal was \$625 million, which was increased to \$850 million and finally, \$1 billion. More than \$162 million has been raised for student scholarships, fellowships and awards.
- OSU launched the Oregon State University Advantage in 2013 to serve business partners through the region – 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.
- OSU's ECampus program has expanded to 33 degree programs and was named the fourth best online program in the country in 2013.
- The National Science Foundation in 2013 selected OSU to lead a project to design and coordinate construction of up to three new coastal research vessels to bolster U.S. marine science research capabilities. The project could total \$290 million over 10 years if all three vessels are built.



- The Provost’s office launched reTHINK PSU, an initiative to generate ideas on delivering an education that serves more students with better outcomes -- while containing costs -- through effective use of teaching, technology and community engagement. Ten faculty winners received \$3 million for projects that included developing online programs and improving student advising.
- *U.S. News & World Report’s* “Best Colleges 2013” named PSU a “Top 10 Up-and-Coming National University” (“the most promising and innovative changes in the areas of academics, faculty and student life.”). Other 2013 accolades included a Top 100 ranking from *Diverse Magazine* for the number of undergraduate and graduate degrees awarded to minority students; and a 2013 Second Nature Climate Leadership Award recognizing PSU’s commitment to sustainability.
- PSU was above target for increasing numbers of new undergraduates, degrees awarded (6,180) – the most in the history of Portland State and the state of Oregon – retention and graduation rates, and student diversity. PSU is the only OUS campus where new undergraduate admissions of students of color (28.3% in 2011-2012) exceeds that of the state’s public high school graduates (25.5% in 2010-2011). The recently revamped Urban Honors program also doubled its enrollment in just one year.
- Research expenditures at Portland State grew to \$69.5 million, up from \$64.8 million the previous year. Intellectual property (IP) activity grew as well: four new patents were issued to PSU faculty, while University-owned IP generated \$450,000 in licensing revenue – a four-fold increase in just two years. The Portland State Business Accelerator is at capacity, with more than 30 promising technology and science startups, including spinoffs from all major Oregon research universities.
- Fundraising efforts at PSU raised \$29.3 million, a record amount and a nearly 50-percent increase over the prior year. Capital campaigns to renovate and expand the Peter W. Stott Education Center and the School of Business Administration made significant progress toward goals of \$20 million, with additional support coming from the Legislature’s capital construction budget, which fulfilled requests to issue bonding authority.

- SOU recorded the second-highest enrollment in its 141 year history, 6,481 students, capping 40% growth over the previous four years.
- A student-led partnership with the Bonneville Environmental Foundation enabled SOU to become the first university in the nation to balance 100% of its water use by restoring water flow to Seven Mile Creek in the Klamath Basin.
- SOU’s environmental commitments - especially SOU’s investment in clean energy - were highlighted in a video on the U.S. Department of Energy’s home page.
- SOU archaeologists discovered a lost 19th century Indian war battlefield near Roseburg.
- 1,356 students received degrees and certificates during SOU’s June 2013 commencement exercises.



- The University of Oregon became a smoke- and tobacco-free university in September 2012. The decision was made to reduce the risks of second-hand smoke exposure and to provide a healthier environment for students, faculty, staff and visitors.
- The University of Oregon received a five-year, \$10.3 million grant from the National Institutes of Health to launch a systems biology research and education center, the UO’s Microbial Ecology and Theory of Animals Center for Systems Biology.
- Chemistry professor Geraldine “Geri” Richmond was named by President Obama to serve as a National Science Board member.
- The 18-month, \$15 million, three-story redesign of Allen Hall, home of the UO School of Journalism and Communication, opened for collaborative learning and innovation.
- A new Student Veterans Center opened at the Erb Memorial Union to serve as a gathering place for student veterans and families. The UO has been honored as a military friendly school as one of 16 university partners of the Pat Tillman Foundation.





- The Teaching Research Institute at Western Oregon University received grants toward autism massage research from the U.S. Department of Health and Human Services' Maternal and Child Health Bureau, and to develop interventions for people with traumatic brain injury from the National Institute on Disability and Rehabilitation Research.
- WOU received the first annual Higher Education Excellence in Diversity award from *INSIGHT Into Diversity* magazine, the oldest and largest diversity-focused publication in higher education. The award recognizes WOU's strong commitment, engagement, and success in creating a university teaching and learning environment that embraces and celebrates the many benefits of a 21st century diverse population.
- Dr. Eduardo Gonzalez-Viaña, WOU professor of Spanish and critically acclaimed author, was given the title of honorary professor from the International University of Catalunya in Barcelona, Spain. Gonzalez-Viaña was invited to visit Spain by the University of Oviedo and the International University of Catalunya. Both institutions were interested in his novels, which have been the subject of numerous academic theses in Spain.
- Western Oregon University is honored to have four awards from NACADA, The Global Community for Academic Advising, which marks six consecutive years of awards for WOU. Dr. Karie Mize (associate professor of teacher education) was awarded the Outstanding Certificate of Merit, faculty advising category; Tamie Saffell (associate director of the Academic Advising and Learning Center (AALC)) received the Certificate of Merit for Advising Administrator; Osvaldo Avila (academic advisor in the AALC) received a Certificate of Merit Primary Role Advising; and Alexander Kunkle (academic advisor in the AALC) received an award for Outstanding New Advisor.
- WOU was named a Military Friendly School for 2014 by Victory Media for ranking in the top 20 percent of more than 10,000 schools nationwide. The recognition acknowledges that WOU provides a supportive environment for military students.



WOU



PSU



# CliftonLarsonAllen

## 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, 2013 and 2012, 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 2013 and 2012 financial statements of the discretely presented component units, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units for 2013 and 2012. 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 aggregate discretely presented component units, is based solely on the reports 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 Oregon University System as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 (K) and Note 9, the financial statements of the System were restated to reflect the System's portion of the Oregon Public Employee Retirement System pre-State and Local Government Rate Pool liability.

**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 68 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 were 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, 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 December 16, 2013, 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.



Greenwood Village, Colorado  
December 16, 2013

## 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, 2013, 2012 and 2011. 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	2013	2012	2011	2010	2009
EOU	3,133	3,138	3,080	2,870	2,550
OIT	2,900	2,743	2,674	2,686	2,490
OSU	25,143	24,040	22,969	21,266	19,536
PSU	21,763	22,403	22,601	22,124	20,764
SOU	4,677	4,875	4,703	4,472	4,373
UO	24,418	24,543	23,716	22,635	21,679
WOU	5,134	5,257	5,214	4,891	4,571
<b>Total System</b>	<b>87,168</b>	<b>86,999</b>	<b>84,957</b>	<b>80,944</b>	<b>75,963</b>



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 18.

The MD&A provides an objective analysis of OUS's financial activities based on currently known facts, decisions, and conditions. The analysis is for OUS as a whole and is not broken out by individual university. The MD&A discusses the current and prior year results in comparison to that year's prior year. The fiscal year 2013 presentation has resulted in reclassifications to the fiscal year 2012 and 2011 financial statements. 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

## | MANAGEMENT'S DISCUSSION AND ANALYSIS | FOR THE YEAR ENDED JUNE 30, 2013 (DOLLARS IN MILLIONS)

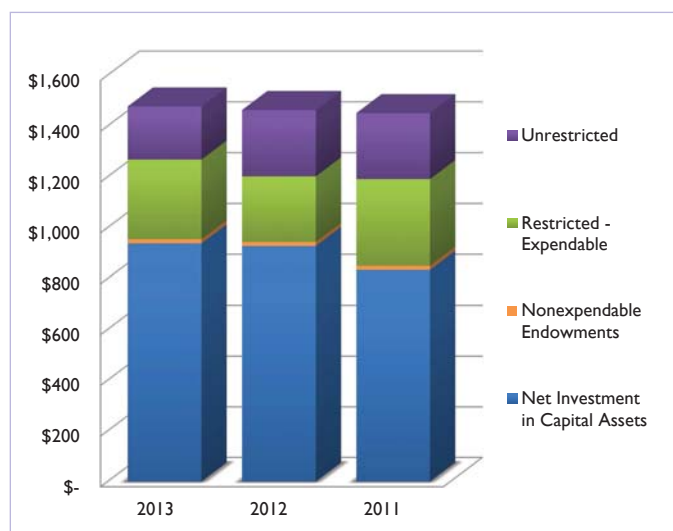
time indicate improvement or deterioration in OUS's financial condition. The following summarizes OUS assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

### Condensed Statement of Net Position

As of June 30,	2013	2012	2011
Current Assets	\$ 507	\$ 563	\$ 914
Noncurrent Assets	799	760	810
Capital Assets, Net	2,741	2,630	2,473
<b>Total Assets</b>	<b>\$ 4,047</b>	<b>\$ 3,953</b>	<b>\$ 4,197</b>
Deferred Outflows of Resources	-	-	-
Current Liabilities	\$ 487	\$ 506	\$ 700
Noncurrent Liabilities	2,083	1,984	2,046
<b>Total Liabilities</b>	<b>\$ 2,570</b>	<b>\$ 2,490</b>	<b>\$ 2,746</b>
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	\$ 938	\$ 928	\$ 834
Restricted - Nonexpendable	17	16	16
Restricted - Expendable	313	258	341
Unrestricted	209	261	260
<b>Total Net Position</b>	<b>\$ 1,477</b>	<b>\$ 1,463</b>	<b>\$ 1,451</b>

### Total Net Position

Changes to Total Assets reflected a larger increase than changes to Total Liabilities which caused Total Net Position to increase \$14 million or 1% during 2013 compared to a \$12 million or 1% increase in 2012. As illustrated by the following graph, the make-up of net position changed between 2013, 2012 and 2011.



### Comparison of fiscal year 2013 to fiscal year 2012

- **Net Investment in Capital Assets** increased \$10 million. Capital asset increases of \$236 million were offset by a \$125

million increase to accumulated depreciation and a \$105 million increase to long-term debt outstanding attributable to the capital assets.

- **Restricted Expendable Net Assets** increased by \$55 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 \$40 million primarily as a result of an increase in the number of new construction and improvement projects in 2013.
- **Unrestricted Net Assets** decreased \$52 million. Operating revenue increased \$63 million; operating expenses increased \$113 million resulting in a total operating loss of \$50 million.

### Comparison of fiscal year 2012 to fiscal year 2011

- **Net Investment in Capital Assets** increased \$94 million. Capital asset increases of \$268 million were offset by a \$111 million increase to accumulated depreciation and a \$63 million increase to long-term debt attributable to the capital assets.
- **Restricted Expendable Net Assets** decreased by \$83 million in 2012. Net assets relating to funds reserved for debt service decreased by \$34 million mainly because OUS no longer requires universities to pre-fund bonded debt payments. Net assets relating to the funding of capital projects declined by \$39 million as 2012 saw the completion of several construction projects and very small debt issuances.
- **Unrestricted Net Assets** increased \$1 million. Declines in state appropriations and growth in operating revenues slightly outpaced the growth in operating expenses.

### Total Assets and Liabilities

Total Assets increased \$94 million, or 2%, and Total Liabilities increased \$80 million, or 3% during the year ended 2013. Total Assets decreased \$244 million, or 6%, and Total Liabilities decreased \$256 million, or 9% during the year ended 2012. Securities lending is excluded from the following discussion and analysis because the net activity is zero (equal amounts of assets and liabilities, equal amounts of income and expense) and its inclusion can distort the analysis of the business activities of OUS. See "Note 2. Cash and Investments" for additional information relating to securities lending. Absent the securities lending balances, 2013 Total Assets increased \$119 million or 3% and Total Liabilities decreased \$105 million or 4% and 2012 Total Assets decreased \$48 million or 1% and Total Liabilities decreased \$44 million or 2%. Current assets exceed current obligations.

### Comparison of fiscal year 2013 to fiscal year 2012

- **Current Assets** decreased \$56 million, or 10%. Current cash and cash equivalents declined \$23 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 \$149 million, or 4%. Year-end cash balances in capital construction funds, debt service reserve funds and agency funds increased \$33 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 of Depreciation increased \$111 million and Notes Receivable decreased \$1 million.
- **Capital Assets, Net** increased \$111 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.
- **Current Liabilities** decreased \$19 million, or 4%. The primary difference is due to a \$26 million decrease in the Obligations Under Securities Lending. Other current liabilities increased \$6 million. The current portion of Long-Term Liabilities decreased by \$7 million and was offset by an increase of \$12 million in Accounts Payable and Accrued Liabilities. Accrued Liabilities increased \$15 million due to the liabilities associated with the Risk Management Fund. See "Note 16. Risk Financing" for details about the operation of the self-insurance fund. Accounts Payable for services and supplies decreased by \$4 million.

- **Noncurrent Liabilities** increased \$99 million, or 5%, 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 2012 to fiscal year 2011

- **Current Assets** decreased \$351 million, or 38%. Because of changing investment strategies, \$109 million was moved from cash equivalents to intermediate and long-term investments. Cash also declined \$60 million in support of operations. Collateral from Securities Lending decreased \$195 million as reported by the State Treasury. Accounts receivable increased \$10 million mainly relating to growth in student tuition and fee activities, and construction activities.
- **Noncurrent Assets** decreased \$50 million, or 6%. Year-end cash balances in capital construction funds, debt service reserve funds and agency funds decreased \$169 million compared to the prior year because of reduced borrowing activity throughout the year and because OUS no longer requires universities to pre-fund bonded debt payments. Investments increased \$110 million mainly relating to the investment strategy mentioned above in "Current Assets". Notes receivable decreased \$10 million because of the \$4 million repayment on the note with Oregon Health Sciences University, \$4 million in Federal student loan receivables and \$2 million related to a terminated institutional student loan program.
- **Capital Assets, Net** increased \$157 million, or 6%. Capitalized acquisitions net of disposals and adjustments included \$240 million in real property and \$28 million in personal property. Accumulated depreciation increased by \$111 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Current Liabilities** decreased \$194 million, or 28% mainly due to a \$195 million decrease in the Obligations Under Securities Lending.
- **Noncurrent Liabilities** decreased \$62 million, or 3%, mainly due to debt repayments outpacing debt issuances



SOU

## 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.

# | MANAGEMENT'S DISCUSSION AND ANALYSIS |

## FOR THE YEAR ENDED JUNE 30, 2013 (DOLLARS IN MILLIONS)

The following summarizes the revenue and expense activity of OUS:

### Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2013	2012	2011
Operating Revenues	\$ 1,701	\$ 1,639	\$ 1,544
Operating Expenses	2,349	2,236	2,104
Operating Loss	(648)	(597)	(560)
Nonoperating Revenues, Net of Expenses	552	512	608
Other Revenues	110	97	92
Increase in Net Position	14	12	140
Net Position, Beginning of Year	1,463	1,451	1,414
Prior Period Restatement			(103)
Net Position, End of Year	\$ 1,477	\$ 1,463	\$ 1,451

See detail for Prior Period Restatement in Note 8.K. and Note 9. Net Position increased by \$14 million or 1% in 2013 compared to an increase of \$12 million or 1% in 2012.

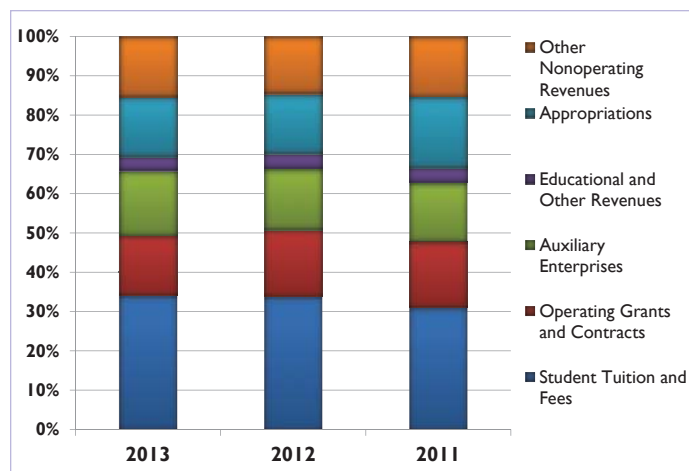
### Revenues

Revenues increased \$117 million, or 5%, in 2013 over 2012.

### Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2013	2012	2011
Student Tuition and Fees	\$ 835	\$ 790	\$ 720
Grants and Contracts	378	396	391
Auxiliary Enterprises	400	365	349
Educational and Other	88	88	84
Total Operating Revenues	1,701	1,639	1,544
Appropriations	375	357	423
Grants	170	168	153
Investment Activity	36	31	31
Capital Grants and Gifts	55	48	56
Other Nonoperating Items	118	95	114
Total Nonoperating Revenues	754	699	777
Total Revenues	\$ 2,455	\$ 2,338	\$ 2,321

### Total Operating and Nonoperating Revenues



### Operating Revenues

Operating revenues increased \$62 million in 2013, or 4% over 2012, to \$1.7 billion. Operating revenues increased \$95 million in 2012, or 6% over 2011. These changes are primarily due to increases in Student Tuition and Fees and Auxiliary Enterprises Revenues.

### Comparison of fiscal year 2013 to fiscal year 2012

**Student Tuition and Fees** increased \$45 million, or 6%, in 2013 compared to 2012.

- Higher tuition and fee rates accounted for \$69 million of the increase.
- Fee remissions and scholarship allowances reduced tuition and fees by \$9 million more than in the prior period.
- Increased enrollment added \$3 million in tuition and fees.
- The allowance for bad debt increased by \$18 million, which decreased the student tuition and fees revenue. This is 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 were lower during 2013 when compared to the prior year by \$7.7 million due to decreased research and development grants and contracts, as well as other federal grants and contracts.
- State grant activity decreased by \$9.3 million.
- Nongovernmental grant activity decreased \$0.6 million.

**Auxiliary Enterprises** revenues increased \$35 million, or 10%, compared to the prior year.

- Student Health and Incidental Fee revenue increased \$17 million due to changes in student health insurance program offerings.
- Housing and Dining revenues increased by \$4 million in 2013 related mainly to increased rates and student occupancy.
- Athletics revenues increased by \$15 million mainly due to the growth in revenues from television broadcasting rights.

### Comparison of fiscal year 2012 to fiscal year 2011

- **Student Tuition and Fees** increased \$70 million or 10% in 2012 compared to 2011 due to a 2.4% enrollment increase coupled with an average 7% tuition increase. These increases were slightly offset by an \$11 million or 16% increase in fee remissions.
- **Federal, State and Nongovernmental Grants and Contracts** increased \$5 million or 1% in 2012 compared to 2011. Federal grant and contract revenues increased by \$2 million in 2012 relating to increased research and development grants and contracts, and other grants and contracts.

**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**FOR THE YEAR ENDED JUNE 30, 2013 (DOLLARS IN MILLIONS)**

State grant activity increased by \$6 million and Nongovernmental grant activity decreased by \$3 million.

- **Auxiliary Enterprise** revenues increased by \$16 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.
- **Educational and Other Revenues** increased by \$4 million or 5% between 2011 and 2012.

### Nonoperating Revenues

The increase in Nonoperating Revenues of \$55 million during 2013 resulted from increases in all of the related categories. The decrease in Nonoperating Revenues of \$78 million during 2012 can be directly tied to the decrease in Government Appropriations and Other Nonoperating Items. This was partially offset by an increase in revenues from Grants, and Capital and Debt Service Appropriations.

#### Comparison of fiscal year 2013 to fiscal year 2012

**Government, Capital 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. See "Note 10. Investment Activity" for additional information relating to these changes.

**Capital Grants and Gifts** increased \$7 million in 2013.

**Other Nonoperating Items** increased \$22 million in 2013.

- Other gifts increased by \$10 million in 2013 compared to 2012.
- Adjustments to Capital Assets decreased \$8 million in 2013 compared to 2012.
- Lottery Reserves of \$4 million were transferred to State of Oregon in 2013.

#### Comparison of fiscal year 2012 to fiscal year 2011

- **Government, Capital and Debt Service Appropriations** decreased \$66 million, or 16%. State appropriations for OUS operations were reduced by \$79 million or 20% due to lower funding received from the State of Oregon and the end of the State Fiscal Stabilization Funds in 2011. This decline was partially offset by increased debt service appropriations because of a return of debt service in 2011 and higher levels of debt service in 2012.

- **Grants** increased \$15 million in 2012 due largely to increased Oregon Opportunity Grants and Pell grants.
- **Investment Activity** revenues remained constant for 2012. Declines in net appreciation of \$11 million were offset by increased interest income of \$4 million and royalties of \$4 million. Interest income increased due to changes in legislation allowing OUS to keep all the interest earned on its balances deposited with the State Treasury.
- **Capital Grants and Gifts** decreased \$8 million in 2012 due to lower gift revenues than 2011.
- **Other Nonoperating Items** decreased \$19 million in 2012.

### Expenses

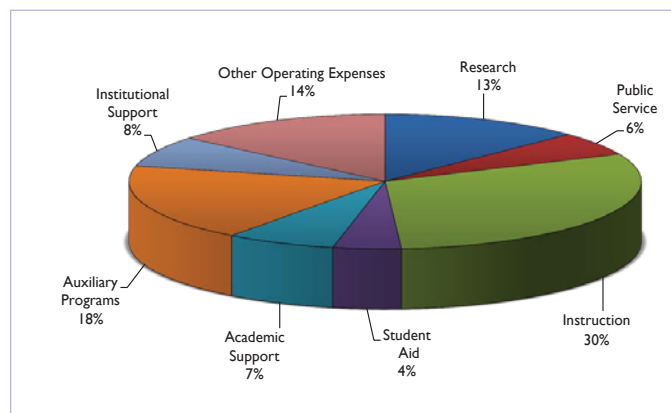
#### Operating Expenses

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. Operating expenses increased \$132 million in 2012, or 6%, over 2011, to \$2.2 billion. The 2012 increase resulted from higher expenses in most categories. The following summarizes operating expenses by functional classification:

#### Operating Expense by Function

For the Year Ended June 30,	2013	2012	2011
Instruction	\$ 719	\$ 678	\$ 626
Auxiliary Programs	433	398	366
Research	298	299	297
Institutional Support	175	166	163
Academic Support	163	153	143
Public Service	134	142	142
Student Aid	101	95	95
Other Operating Expenses	326	305	272
<b>Total Operating Expenses</b>	<b>\$ 2,349</b>	<b>\$ 2,236</b>	<b>\$ 2,104</b>

#### 2013 Operating Expense by Function





**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**FOR THE YEAR ENDED JUNE 30, 2013 (DOLLARS IN MILLIONS)**

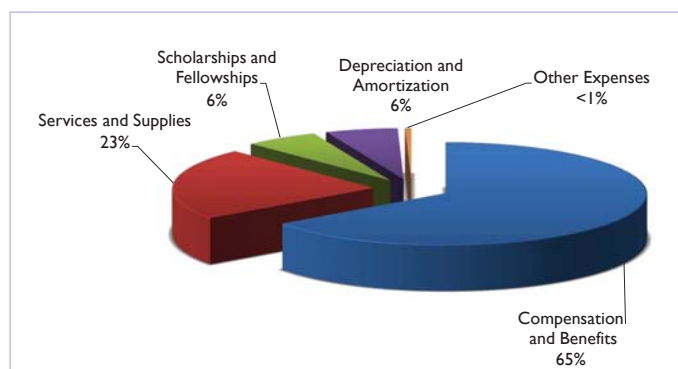
Due to the way in which expenses are incurred by OUS, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

**Operating Expenses by Nature**

For the Year Ended June 30,	2013	2012	2011
Compensation and Benefits	\$ 1,527	\$ 1,456	\$ 1,357
Services and Supplies	535	510	502
Scholarships and Fellowships	139	133	128
Depreciation and Amortization	137	125	114
Other Expenses	11	12	3
<b>Total Operating Expenses</b>	<b>\$ 2,349</b>	<b>\$ 2,236</b>	<b>\$ 2,104</b>

**2013 Operating Expenses by Nature**



**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 (\$7.7 million or 5%).
- Higher wage costs attributed to salary and wage increases (approximately \$40 million).
- Increased student and graduate employment (approximately \$5 million)
- 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. This was partially offset by lower subcontractor and resale item expenses.

**Scholarships and Fellowships** costs increased \$6 million, or 5%, 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.

**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. See “Capital Assets and Related Financing Activities,” below, and “Note 8. Long-term Liabilities” for information relating to this variance.

**Comparison of fiscal year 2012 to fiscal year 2011**

**Compensation and Benefits** costs increased \$99 million, or 8%, in 2012 compared to 2011 due to:

- Retirement costs (\$36 million) and health insurance costs (\$6 million or 3%).
- Additional staff needed to support increased student enrollment (approximately \$29 million).
- Higher wage costs attributed to salary and wage increases (approximately \$27 million).
- Fee remissions for graduate students (\$2 million).

**Services and Supplies** expense increased \$8 million, or 2%, during 2012. This increase was seen across numerous categories including utilities, subcontractors, maintenance and repairs, and conferences. This was partially offset by lower assessments, services and supplies, rentals, and subscriptions.

**Scholarships and Fellowships** costs increased \$5 million, or 3%, when comparing 2012 and 2011. This net increase mainly corresponds to the revenue increases in the Oregon Opportunity Grants of \$15 million and Pell grants of \$6 million previously mentioned. This was partially offset because of larger scholarship allowances of \$13 million.

**Depreciation and Amortization** expense increased \$12 million during 2012 primarily relating to depreciation starting on recently constructed or refurbished buildings.

**Nonoperating Expenses**

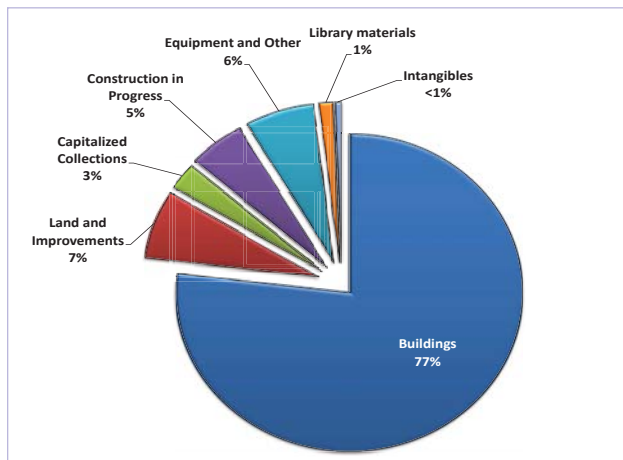
**Interest Expense** increased by \$7 million, or 6%, due to 2012 debt issuances being outstanding for the full year during 2012.

## CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

### Capital Assets

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. At June 30, 2012, OUS had \$4.2 billion in capital assets, less accumulated depreciation of \$1.6 billion, for net capital assets of \$2.6 billion. During fiscal year 2013, \$347 million in construction projects were completed and placed into service. OUS is committed to a comprehensive program of capital initiatives combined with a comprehensive approach to facility maintenance which includes addressing current maintenance needs and to minimize OUS's deferred maintenance backlog. State, Federal, private, debt, and internal OUS funding were all used to accomplish OUS's capital objectives.

### 2013 Capital Assets, Net - \$2.7 Billion



### Changes to Capital Assets

	2013	2012	2011
Capital Assets, Beginning of Year	\$ 4,235	\$ 3,967	\$ 3,515
Add: Purchases/Construction	251	297	466
Less: Retirements/Disposals/Adjustments	(15)	(29)	(14)
<b>Total Capital Assets, End of Year</b>	<b>4,471</b>	<b>4,235</b>	<b>3,967</b>
Accum. Depreciation, Beginning of Year	(1,605)	(1,494)	(1,388)
Add: Depreciation Expense	(137)	(125)	(114)
Less: Retirements/Disposals/Adjustments	12	14	8
<b>Total Accum. Depreciation, End of Year</b>	<b>(1,730)</b>	<b>(1,605)</b>	<b>(1,494)</b>
<b>Total Capital Assets, Net, End of Year</b>	<b>\$ 2,741</b>	<b>\$ 2,630</b>	<b>\$ 2,473</b>

Capital additions totaled \$251 million for 2013, \$297 million for 2012, and \$466 million for 2011.

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. Accumulated depreciation at June 30, 2012

increased \$111 million, which represented \$125 million in depreciation and amortization expense offset by \$14 million in asset retirements and adjustments. Depreciation expense was \$137 million during 2013 compared to \$125 million during 2012 and \$114 million in 2011.

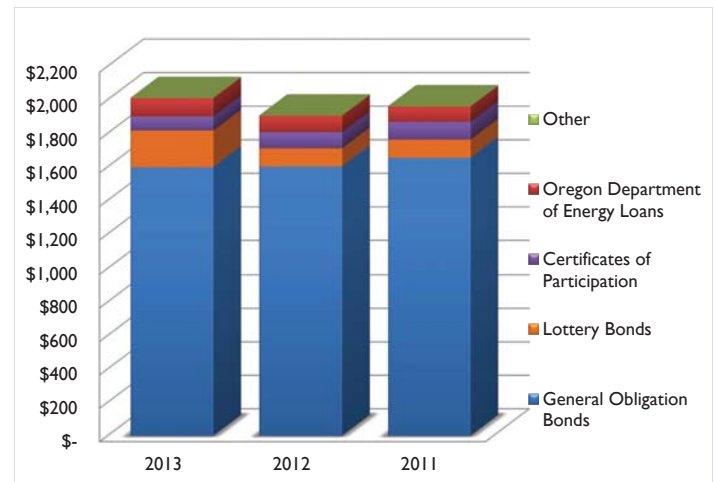
### Capital Commitments

OUS has outstanding capital commitments on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature of \$684 million as of June 30, 2013. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

### Debt Administration

During 2013 and 2012, OUS issued debt totaling \$416 million and \$107 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding. Lottery Bonds increased \$97 million and General Obligation Bonds increased \$37 million. Debt issued for refundings during 2013 and 2012 totaled \$282 million and \$103 million respectively.

### Long-term Debt



### ECONOMIC OUTLOOK

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

**| MANAGEMENT'S DISCUSSION AND ANALYSIS |**  
**FOR THE YEAR ENDED JUNE 30, 2013 (DOLLARS IN MILLIONS)**

State funding levels continue to challenge the mission of OUS. The State has continued to reduce its support to state universities, which has caused OUS to find operating efficiencies to lower costs, to curb salary and pay costs via furlough and/or pay freezes, and to look to build enrollments of out-of-state and international students who pay a premium tuition rate, and to increase tuition rates for all students. At the same time, OUS institutions have experienced significant enrollment growth, which puts additional pressure on OUS institutions to find ways to meet the increased demand. The Oregon Legislature established limits on tuition and fee increases, limiting the ability to offset the state funding declines relative to operating cost increases. With lower state support, increasing costs, limits on tuition and fees, and enrollment growth, all of our institutions, and particularly our technical and regional universities, are operating in a financially challenging environment.

In order to address some of these challenges, the 2011 Legislature enacted legislation which gave OUS broader authority over its own affairs. Key provisions included: exemption from state expenditure limitation (spending authority), authority to issue revenue bonds, authority to manage legal affairs and risk management, review of current employee benefit plan structures, and authority to retain all interest earned (in the past 38% was given back to the State). Full implementation of these provisions has addressed some of the cost and efficiency issues faced by OUS. In addition, the 2013 Legislature enacted pension reforms and sweeping legislation impacting the governance of OUS, spinning off Portland State University and the University of Oregon as separate public universities with their own governing boards as of July 1, 2014, and allowing Oregon State University the option to do the same. Subsequent to year end, Oregon State University has declared their intent to separate from OUS as well. While the pension reforms have resulted in reduced pension costs, it is anticipated that pension costs will continue to be a significant driver of overall costs due to the aging demographics within the state's workforce. The result of the governance changes is expected to increase gift revenues to those universities that will be separated from OUS, as well as allow for more institution-specific business choices that may help those institutions compete in today's higher education marketplace.

Despite the legislative changes, the biggest challenge in the future continues to be balancing lower levels of state funding per student and Oregon's decreasing per capita income against increasing tuition and fees paid by students. With the US and Oregon economies improving, OUS institutions could be further challenged by flattening or declining enrollment levels at some or all OUS institutions, with current and potential students taking jobs instead of furthering their education. One of the positive outcomes from any resultant

increase in employment within Oregon would be increasing income tax revenues, which may provide additional funding to OUS institutions and offset some of the potential reduction in tuition revenue. Adding to the challenges, compensation levels need to be addressed in the wake of the past years of pay freezes and furloughs and increased enrollments and the future of employee benefit costs will remain uncertain until the dust settles after full implementation of the Affordable Care Act and public pension reform. The Board and management remain committed to meeting these challenges and ensuring the long-term health of OUS to carry out its core mission of access, affordability, excellence, and economic development.



Oregon Tech

| STATEMENTS OF NET POSITION |

As of June 30,	University System	
	2013	2012
	(In thousands)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 202,406	\$ 225,601
Collateral from Securities Lending (Note 2)	33,714	58,388
Accounts Receivable, Net (Note 3)	221,479	226,356
Notes Receivable, Net (Note 4)	16,524	19,381
Inventories	8,365	7,607
Prepaid Expenses	24,557	25,675
<b>Total Current Assets</b>	<b>507,045</b>	<b>563,008</b>
<b>Noncurrent Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 341,443	\$ 308,208
Investments (Note 2)	364,717	357,894
Notes Receivable, Net (Note 4)	92,371	93,627
Capital Assets, Net of Accumulated Depreciation (Note 5)	2,741,532	2,630,338
<b>Total Noncurrent Assets</b>	<b>3,540,063</b>	<b>3,390,067</b>
<b>Total Assets</b>	<b>\$ 4,047,108</b>	<b>\$ 3,953,075</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accumulated Decrease in Fair Value of Derivatives	\$ 27	\$ 149
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 153,114	\$ 141,390
Deposits	51,198	50,194
Obligations Under Securities Lending (Note 2)	33,714	58,388
Current Portion of Long-Term Liabilities (Note 8)	122,447	129,714
Unearned Revenues	126,381	126,179
<b>Total Current Liabilities</b>	<b>486,854</b>	<b>505,865</b>
<b>Noncurrent Liabilities</b>		
Long-Term Liabilities (Note 8)	2,083,019	1,984,104
<b>Total Noncurrent Liabilities</b>	<b>2,083,019</b>	<b>1,984,104</b>
<b>Total Liabilities</b>	<b>\$ 2,569,873</b>	<b>\$ 2,489,969</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Accumulated Increase in Fair Value of Derivatives	-	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 937,984	\$ 927,735
Restricted For:		
Nonexpendable Endowments	16,785	16,546
Expendable:		
Gifts, Grants and Contracts	64,448	59,546
Student Loans	83,801	83,275
Capital Projects	103,295	61,999
Debt Service	62,131	53,119
Unrestricted (Note 9)	208,818	261,035
<b>Total Net Position</b>	<b>\$ 1,477,262</b>	<b>\$ 1,463,255</b>

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

| STATEMENTS OF FINANCIAL POSITION |

As of June 30,	Component Units	
	2013	2012 (Restated)
(In thousands)		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 65,031	\$ 25,510
Contributions, Pledges and Grants Receivable, Net	145,603	182,241
Investments (Note 2)	1,364,217	1,247,209
Prepaid Expenses and Other Assets	39,727	38,729
Property and Equipment, Net	58,120	64,605
<b>Total Assets</b>	<b>\$ 1,672,698</b>	<b>\$ 1,558,294</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 7,063	\$ 20,120
Accounts Payable to Universities	3,816	4,624
Obligations to Beneficiaries of Split-Interest Agreements	72,724	73,104
Deposits and Unearned Revenue	18,732	11,766
Long-Term Liabilities	73,442	76,848
<b>Total Liabilities</b>	<b>\$ 175,777</b>	<b>\$ 186,462</b>
<b>NET POSITION</b>		
Unrestricted	\$ 13,731	\$ 525
Temporarily Restricted	703,647	630,959
Permanently Restricted	779,543	740,348
<b>Total Net Position</b>	<b>\$ 1,496,921</b>	<b>\$ 1,371,832</b>

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	
	2013	2012
	(In thousands)	
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Allowances of \$205,548 and \$174,457, respectively)	\$ 835,127	\$ 790,089
Federal Grants and Contracts	324,492	332,184
State and Local Grants and Contracts	15,298	24,622
Nongovernmental Grants and Contracts	38,489	39,081
Educational Department Sales and Services	61,012	54,707
Auxiliary Enterprises Revenues (Net of Allowances of \$15,370 and \$14,456, respectively)	400,386	365,156
Other Operating Revenues	26,423	32,804
<b>Total Operating Revenues</b>	<b>1,701,227</b>	<b>1,638,643</b>
<b>OPERATING EXPENSES</b>		
Instruction	718,618	678,290
Research	298,290	299,307
Public Service	133,653	141,527
Academic Support	162,811	153,140
Student Services	91,486	87,981
Auxiliary Programs	433,626	397,431
Institutional Support	174,882	166,044
Operation and Maintenance of Plant	113,974	108,111
Student Aid	100,842	95,344
Other Operating Expenses	120,905	108,427
<b>Total Operating Expenses (Note 11)</b>	<b>2,349,087</b>	<b>2,235,602</b>
<b>Operating Income (Loss)</b>	<b>(647,860)</b>	<b>(596,959)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Government Appropriations (Note 12)	320,006	307,832
Grants	169,963	167,684
Investment Activity (Note 10)	35,990	31,385
Gain (Loss) on Sale of Assets, Net	-	(1,338)
Interest Expense	(91,996)	(90,029)
Other Nonoperating Items	118,073	96,394
<b>Net Nonoperating Revenues</b>	<b>552,036</b>	<b>511,928</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(95,824)</b>	<b>(85,031)</b>
Capital and Debt Service Appropriations (Note 12)	55,016	49,116
Capital Grants and Gifts	54,574	48,039
Changes to Permanent Endowments	241	159
<b>Total Other Nonoperating Revenues</b>	<b>109,831</b>	<b>97,314</b>
<b>Increase In Net Position</b>	<b>14,007</b>	<b>12,283</b>
<b>NET POSITION</b>		
Beginning Balance (Restated)	1,463,255	1,450,972
<b>Ending Balance</b>	<b>\$ 1,477,262</b>	<b>\$ 1,463,255</b>

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

| STATEMENTS OF ACTIVITIES |

For The Years Ended June 30,	Component Units	
	2013	2012 (Restated)
	(In thousands)	
<b>REVENUES</b>		
Grants, Bequests and Gifts	\$ 220,905	\$ 181,497
Interest and Dividends	15,380	13,191
Investment Income (Loss), Net	103,432	(8,614)
Change in Value of Life Income Agreements	6,635	9
Other Revenues	26,982	24,431
<b>Total Revenues</b>	<b>373,334</b>	<b>210,514</b>
<b>EXPENSES</b>		
University Support	210,883	162,212
General and Administrative	29,340	27,769
Other Expenses	8,022	7,266
<b>Total Expenses</b>	<b>248,245</b>	<b>197,247</b>
<b>Increase In Net Position Before Other Changes in Net Position</b>	<b>125,089</b>	<b>13,267</b>
Other Changes in Net Position	-	123
<b>Increase In Net Position</b>	<b>125,089</b>	<b>13,390</b>
<b>NET POSITION</b>		
Beginning Balance (as restated)	1,371,832	1,358,442
<b>Ending Balance</b>	<b>\$ 1,496,921</b>	<b>\$ 1,371,832</b>

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

| STATEMENTS OF CASH FLOWS |

For the Years Ended June 30,	University System	
	2013	2012
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 868,028	\$ 791,128
Grants and Contracts	367,826	398,298
Educational Department Sales and Services	61,012	54,707
Auxiliary Enterprises Operations	397,347	362,518
Payments to Employees for Compensation and Benefits	(1,521,776)	(1,452,801)
Payments to Suppliers	(535,024)	(552,460)
Student Financial Aid	(139,158)	(132,488)
Other Operating Receipts	11,796	29,058
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(489,949)</b>	<b>(502,040)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Government Appropriations	320,006	307,832
Grants	169,963	167,684
Private Gifts Received for Endowment Purposes	241	159
Other Gifts and Private Contracts	118,073	96,394
Net Agency Fund Receipts (Payments)	(9,205)	28,322
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>599,078</b>	<b>600,391</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt Service Appropriations	55,016	49,116
Capital Grants and Gifts	32,495	42,717
Bond Proceeds from Capital Debt	450,584	129,425
Sales of Capital Assets	3,156	5,923
Purchases of Capital Assets	(228,642)	(289,300)
Interest Payments on Capital Debt	(95,192)	(92,362)
Principal Payments on Capital Debt	(345,795)	(185,146)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(128,378)</b>	<b>(339,627)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Sales (Purchases) of Investments	(3,140)	(161,801)
Interest on Investments and Cash Balances	32,429	83,093
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>29,289</b>	<b>(78,708)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,040</b>	<b>(319,984)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning Balance	533,809	853,793
<b>Ending Balance</b>	<b>\$ 543,849</b>	<b>\$ 533,809</b>

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



| STATEMENTS OF CASH FLOWS |

For the Years Ended June 30,	University System	
	2013	2012
	(In thousands)	
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (647,860)	\$ (596,959)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	136,785	124,963
Changes in Assets and Liabilities:		
Accounts Receivable	4,877	(10,088)
Notes Receivable	(197)	3,325
Inventories	(758)	(574)
Prepaid Expenses	1,118	(1,263)
Accounts Payable and Accrued Liabilities	14,507	(28,391)
Long-Term Liabilities	1,378	3,037
Unearned Revenue	201	3,910
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (489,949)</b>	<b>\$ (502,040)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>		
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 76	\$ 15
Capital Assets Acquired by Gifts in Kind	22,079	5,322
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	3,561	7,315

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

## 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. Management has determined that one of the DPCU reported previously does not meet the requirements for inclusion under GASB No. 39 "Determining Whether Certain Organizations Are Component Units" (GASB NO. 39). As a result, that DPCU has been removed from the financial statement as of July 1, 2011 and beginning net assets have been restated. See "Note 19. University Foundations" for additional information relating to these component units. Organizations that are not financially accountable to OUS universities, such as booster and alumni organizations, are not included in the reporting entity.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 and established Oregon State University, Portland State University, and the University of Oregon 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.

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. The fiscal year 2012 financial statements reflect certain reclassifications to conform to the fiscal year 2013 presentation. Unless otherwise stated, dollars are presented in thousands.

### Newly Implemented Accounting Standards

OUS implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* effective for the fiscal year ended June 30, 2013. GASB 60 improves financial reporting by addressing issues relating to certain types of service concession arrangements. OUS has several public private partnerships relating to housing provided to students which were reviewed as possible service concession arrangements. OUS currently has not identified any arrangements that meet the GASB 60 definition for service concession arrangements.

OUS implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the fiscal year ended June 30, 2013. GASB 61 improves financial reporting for a governmental financial reporting entity relating to component units. The adoption of GASB 61 did not materially impact the OUS financial statements.

OUS implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the fiscal year ended June 30, 2013. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards. The statement does not incorporate FASB and AICPA pronouncements that are not applicable or have conflicting and contradictory literature to State and Local Governments. The adoption of GASB 62 did not materially impact the OUS financial statements.

OUS implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for the fiscal year ended June 30, 2013. GASB 63 provides financial reporting guidance for reporting deferred outflows of resources and deferred inflows of resources, and net position in a Statement of Net Position. The former Statement of Net Assets had three elements: Assets, Liabilities, and Net Assets. The new Statement of Net Position adds two elements – Deferred Outflows of Resources and Deferred Inflows of Resources – and changes "Net Assets" to "Net Position." De-

ferred Outflows and Deferred Inflows are elements that do not meet the definition of Assets and Liabilities. Currently, GASB 63 applies only to change in fair value of derivatives for OUS. OUS reclassified derivatives associated with foreign currency to deferred outflows of \$27 and had no reportable deferred inflows at June 30, 2013.

OUS implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* effective for the fiscal year ended June 30, 2013. GASB 64 improves financial reporting by clarifying when effective hedging relationships continue and hedge accounting should be applied. The adoption of GASB 64 did not materially impact the OUS financial statements.

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

### Upcoming Accounting Standards

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

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

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

June 30, 2015. OUS is analyzing the effects of the adoption of GASBs 67 and 68 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

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 April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of the Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. GASB 70 requirements are effective for the fiscal year ending June 30, 2014. OUS is not anticipating that the adoption of GASB 70 will have a material impact on its 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.

Cash and cash equivalents restricted for the long-term portion of debt service, capital construction, and agency funds are classified as noncurrent assets in the Statement of Net Position.

### 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 restricted for endowments, debt service, capital construction, and agency funds 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 \$51,342 and \$53,959 were incurred on XI-F(1) debt, of which \$1,433 and \$3,076 were capitalized for the fiscal years ended 2013 and 2012, 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 that relate to the subsequent fiscal year(s).

## I. Compensated Absences

OUS accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

## J. Net Position

OUS 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

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 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 2014 is estimated to be \$2,459. For the years ended June 30, 2013 and 2012, the net amount of appreciation available for authorization for expenditure was \$18,765 and \$16,361, respectively.

Nonexpendable Endowments on the Statement of Net Position of \$16,785 and \$16,546 at June 30, 2013 and 2012, respectively, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments.

## L. Income Taxes

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

## M. Revenues and Expenses

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

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

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

## N. 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 \$87,446 and \$78,827 for the fiscal years ended 2013 and 2012, 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 \$106,832 and \$104,973 for the fiscal years ended 2013 and 2012, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$26,640 and \$5,113 for the fiscal years ended 2013 and 2012 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 \$583,968 and \$596,892 for the fiscal years ended 2013 and 2012, respectively.

## P. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates. The estimate for allowance for doubtful accounts was reviewed in fiscal year 2013 which resulted in an increase in the estimate of \$21,000.

## 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, 2013 and 2012, OUS cash and cash equivalents on deposit at State Treasury were \$542,135 and \$531,695, respectively.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to <http://www.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. Since OUS cash balances held on deposit at the State Treasury are invested consistently, custodial credit risk exposure to the State Treasury is low.

#### Foreign Currency Risk—Deposits

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk. To facilitate study abroad programs, there are some cash balances held in local currency to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled \$191 and \$199 at June 30, 2013 and 2012, respectively.

To further mitigate foreign currency risks for prospective study abroad activities, OUS periodically enters into forward foreign currency contracts. At June 30, 2013 and 2012, respectively, these contracts totaled \$997 and \$1,910 and had a net fair value loss of

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

\$27 and \$149. The net fair value loss is reported as Deferred Outflows on the Statement of Net Position.

June 30, 2013						
Notional		Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
Currency	Amount					
CAD	I	\$ I	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)

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

### Other Deposits

OUS cash and cash equivalents held by a fiscal agent outside the State Treasury comprised \$1,022 and \$1,477 at June 30, 2013 and 2012, respectively. The fiscal agent is the custodian for distributing the OUS bond principal and interest repayments made by OUS to bondholders. The cash balance with the fiscal agent is subject to Federal deposit insurance for the first \$250 for each bondholder. At June 30, 2013, no bondholders had balances exceeding \$250.

For the years ended June 30, 2013 and 2012, OUS had vault and petty cash balances of \$718 and \$787, respectively. Additionally, OUS had small amounts of cash invested with a fiscal agent relating to debt issuances.

### B. Investments

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

The following schedule presents the fair value of OUS investments as reported by the applicable investment trustee at June 30, 2013 and 2012:

### University System

	June 30, 2013		June 30, 2012	
	Fair Value	Asset Allocation	Fair Value	Asset Allocation
Investment Type:				
Mutual Funds -				
Domestic Fixed Income	\$ 123,063	34%	\$ 126,066	35%
US Agency Securities	69,043	19%	63,340	17%
Corporate Bonds	59,535	16%	65,323	18%
US Government Securities	14,624	4%	11,606	3%
Non-US Govt Securities	12,473	3%		
Municipals	7,828	2%	11,876	3%
Int'l Debt Securities	6,696	2%	21,627	6%
Money Market Funds	1,190	-	1,386	-
Fixed Income Investments	<u>294,452</u>		<u>301,224</u>	
International Equity Securities	12,448	3%	9,783	3%
Mutual Funds -				
Domestic Equity Securities	18,237	5%	16,178	4%
Mutual Funds -				
International Equity Securities	3,297	1%	3,082	2%
Mutual Funds -				
World Equity Securities	3,636	1%	3,094	2%
Equity Investments	<u>37,618</u>		<u>32,137</u>	
Alternative Equities	11,793	4%	8,128	2%
Asset Backed Securities	12,729	3%	7,727	2%
Collateralized Mortgage Obligations	7,176	2%	8,163	2%
Real Estate	2,138	1%	1,901	1%
Other Investments	<u>33,836</u>		<u>25,919</u>	
Total All Investments	<u>365,906</u>	100%	<u>359,280</u>	100%
Less Amounts Recorded As Cash	<u>(1,189)</u>		<u>(1,386)</u>	
Total Investments	<u>\$ 364,717</u>		<u>\$ 357,894</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 such as sovereign debt concerns across Europe and aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of OUS's investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2013.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2013, two individually named permanent endowment funds had estimated fair values that, in total, were \$12 less than their permanently restricted or historical value. This was the result of net declines in financial markets since these funds were established. The associated unrealized losses are recorded in the Unrestricted caption on the Statement of Net Position.

Of the total investments, \$103 million are invested in an intermediate term pool managed by State Treasury, \$190 million are indi-

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

vidually held investments, \$69 million are invested in a portfolio that is managed for the benefit of pooled gifts and endowments, and \$2 million are separately invested endowments. OUS has an endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

Investments of the OUS discretely presented component units are summarized at June 30, 2013 and 2012 as follows:

**Component Units**

Fair Value at June 30, Investment Type:	2013	2012
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 634,535	\$ 612,203
Investment in Common Stock, Voting Trust and Partnerships	534,372	478,640
US Treasury Notes and Government Obligations	-	-
Money Market Funds and Certificates of Deposit	85,329	49,960
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	22,072	13,849
Remainder Trusts, Unitrusts and Gift Annuities	55,527	56,607
Alternative Investments	18,850	18,331
Investment Receivables	176	1,304
Cash Value of Life Insurance Policies	2,415	2,163
Other	10,941	14,152
<b>Total Investments</b>	<b>\$ 1,364,217</b>	<b>\$ 1,247,209</b>

**Credit Risk**

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. Of these, the 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. See table below for OUS investment credit quality ratings at June 30, 2013 and 2012.

**OUS Investment Credit Quality Ratings**

Investment Type:	Total	Govt	AAA	AA	A	BBB	Below BBB	Unrated
<b>Mutual Funds - Dom. Fixed Inc.</b>	<b>\$ 123,063</b>	<b>\$ -</b>	<b>\$ 10,900</b>	<b>\$ 26,469</b>	<b>\$ 24,442</b>	<b>\$ 46,991</b>	<b>\$ 1,747</b>	<b>\$ 12,514</b>
<b>US Agency Securities</b>	<b>69,043</b>		<b>2,215</b>	<b>41,277</b>	<b>3,446</b>			<b>22,105</b>
<b>Corporate Bonds</b>	<b>59,535</b>			<b>1,486</b>	<b>34,675</b>	<b>23,374</b>		
<b>US Govt Securities</b>	<b>14,624</b>	<b>14,624</b>						
<b>Asset Backed Securities</b>	<b>12,729</b>		<b>12,729</b>					
<b>Non-US Govt Securities</b>	<b>12,473</b>		<b>2,489</b>	<b>5,073</b>	<b>4,911</b>			
<b>Municipals</b>	<b>7,828</b>		<b>4,448</b>	<b>3,380</b>				
<b>Collateralized Mortgage Oblig.</b>	<b>7,176</b>		<b>7,176</b>					
<b>International Debt Securities</b>	<b>6,696</b>			<b>2,527</b>	<b>4,169</b>			
<b>Fair Value at June 30, 2013</b>	<b>\$ 313,167</b>	<b>\$ 14,624</b>	<b>\$ 39,957</b>	<b>\$ 80,212</b>	<b>\$ 71,643</b>	<b>\$ 70,365</b>	<b>\$ 1,747</b>	<b>\$ 34,619</b>
Mutual Funds - Dom. Fixed Inc.	\$ 126,066	\$ 4,987	\$ 13,963	\$ 26,287	\$ 33,078	\$ 43,378	\$ 367	\$ 4,006
Corporate Bonds	65,323			15,443	38,002	11,878		
US Agency Securities	63,340			28,495	3,407			31,438
International Debt Securities	21,627		2,632	11,725	7,270			
Municipals	11,876		5,506	3,828				2,542
US Govt Securities	11,606	11,606						
Collateralized Mortgage Oblig.	8,163		8,163					
Asset Backed Securities	7,727		7,727					
<b>Fair Value at June 30, 2012</b>	<b>\$ 315,728</b>	<b>\$ 16,593</b>	<b>\$ 37,991</b>	<b>\$ 85,778</b>	<b>\$ 81,757</b>	<b>\$ 55,256</b>	<b>\$ 367</b>	<b>\$ 37,986</b>

### Custodial Credit Risk

Custodial credit risk refers to OUS investments that are held by others and not registered in OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where one transfers cash to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions around securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

### Concentration of Credit Risk

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that, with exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For equity securities, not more than five percent of the market value of any investment fund will be invested in any single security, unless part of an index fund. OUS's holding of Federal Home Loan Mortgage Corporation comprised 5.6% of the total investment at June 30, 2013.

### Foreign Currency Risk

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. OUS has \$26 million in deposits and mutual funds that are primarily invested in international debt and equities at June 30, 2013. Approximately \$5 million of these investments have foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a 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 schedule presents the foreign currency exchange contracts in effect as of June 30, 2013 and 2012:

As of June 30, 2013	Settle	Notional	Fair Market
Description	Dates	Value	Value
<b>Foreign Currency Exchange</b>			
<b>Contracts Purchased:</b>			
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
<b>Total Contracts Purchased</b>		<b>5,185</b>	<b>5,092</b>
<b>Foreign Currency Exchange</b>			
<b>Contracts Sold:</b>			
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
<b>Total Contracts Sold</b>		<b>5,144</b>	<b>5,038</b>
<b>Total Foreign Currency</b>			
<b>Exchange Contracts</b>		<b>\$ 10,329</b>	<b>\$ 10,130</b>
<b>Net Forward Foreign Currency</b>			
<b>Exchange Contracts</b>		<b>\$ (41)</b>	<b>\$ (54)</b>



| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

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

### 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, 2013 and 2012 (duration in years):

Fair Value at June 30,	2013	Duration	2012	Duration
Investment Type:				
Mutual Funds-Domestic				
Fixed Income	\$ 123,063	3.41	\$ 126,066	3.17
US Agency Securities	69,043	3.59	63,340	3.82
Corporate Bonds	59,535	2.59	65,323	3.78
US Government Securities	14,624	7.53	11,606	7.38
Non-US Govt Securities	12,473	5.68	-	-
Municipals	7,828	3.11	11,876	2.96
Int'l Debt Securities	6,696	2.14	21,627	5.08
Collateralized Mortgage				
Obligations	7,176	2.25	8,163	4.51
Asset Backed Securities	12,729	3.82	7,727	2.34
Money Market Funds	1,190	0.50	1,386	0.50
Total Fair Value	<u>\$ 314,357</u>		<u>\$ 317,114</u>	
Portfolio Weighted Average Duration		3.52		3.70

### 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, 2013	June 30, 2012
OUS Securities on loan:		
Fair Value	\$ 356	\$ 279
Cash Collateral held by OUS:		
Fair Value	378	286
Reported Value	378	286
OSTF Securities on loan:		
Fair Value	46,577	56,853
Cash Collateral held by OSTF:		
Fair Value	33,336	58,113
Reported Value	33,336	58,102

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

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to not less than 102% of the market value of the loaned security. The State Treasurer did not impose any

restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for OUS securities on loan in the OSTF. At June 30, 2013, 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, 2013	June 30, 2012
Student Tuition and Fees	\$ 107,938	\$ 105,794
Auxiliary Enterprises and Other		
Operating Activities	30,261	27,222
Federal Grants and Contracts	56,801	46,811
Component Units	17,761	18,186
State, Other Government, and Private		
Gifts, Grants and Contracts	7,922	11,037
Other	39,522	34,862
	<u>260,205</u>	<u>243,912</u>
Less: Allowance for Doubtful Accounts	(38,726)	(17,556)
Accounts Receivable, Net	<u>\$ 221,479</u>	<u>\$ 226,356</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, 2013 and 2012. 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, 2013		
	Current	Noncurrent	Total
<b>Institutional and Other</b>			
<b>Student Loans</b>	\$ 5,440	\$ 3,942	\$ 9,382
<b>Federal Student Loans</b>	12,366	55,648	68,014
<b>Amounts Due from OHSU for</b>			
<b>Indebtedness (See Note 8.H)</b>	4,478	37,910	42,388
	<u>22,284</u>	<u>97,500</u>	<u>119,784</u>
<b>Less: Allowance for Doubtful</b>			
<b>Accounts</b>	(5,760)	(5,129)	(10,889)
<b>Notes Receivable, Net</b>	<u>\$ 16,524</u>	<u>\$ 92,371</u>	<u>\$ 108,895</u>

	June 30, 2012		
	Current	Noncurrent	Total
<b>Institutional and Other</b>			
<b>Student Loans</b>	\$ 2,131	\$ 3,199	\$ 5,330
<b>Federal Student Loans</b>	16,092	56,419	72,511
<b>Amounts Due from OHSU for</b>			
<b>Indebtedness (See Note 8.H.)</b>	4,711	41,987	46,698
	<u>22,934</u>	<u>101,605</u>	<u>124,539</u>
<b>Less: Allowance for Doubtful</b>			
<b>Accounts</b>	(3,553)	(7,978)	(11,531)
<b>Notes Receivable, Net</b>	<u>\$ 19,381</u>	<u>\$ 93,627</u>	<u>\$ 113,008</u>



UO

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

## 5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2011	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2012	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2013
<b>Capital Assets,</b>									
<b>Non-depreciable/Non-amortizable:</b>									
Land	\$ 125,248	\$ 2,356	\$ 596	\$ (35)	\$ 128,165	\$ 5,949	\$ -	\$ (287)	\$ 133,827
Capitalized Collections	65,386	2,594		31	68,011	5,935	-	(3)	73,943
Construction in Progress	331,076	247,162	(257,344)	(877)	320,017	170,258	(346,906)	517	143,886
Intangible Assets	-	407	-	(407)	-	-	-	-	-
Intangible Assets in Progress	6,938	-	(6,688)	(199)	51	-	-	(51)	-
<b>Total Capital Assets,</b>									
<b>Non-depreciable/Non-amortizable</b>	<b>528,648</b>	<b>252,519</b>	<b>(263,436)</b>	<b>(1,487)</b>	<b>516,244</b>	<b>182,142</b>	<b>(346,906)</b>	<b>176</b>	<b>351,656</b>
<b>Capital Assets, Depreciable/</b>									
<b>Amortizable:</b>									
Equipment	347,702	32,398	1,032	(13,979)	367,153	27,207	3,499	(13,186)	384,673
Library Materials	326,654	5,133		(1,345)	330,442	4,634	-	(1,703)	333,373
Buildings	2,542,247	5,568	244,017	(11,104)	2,780,728	28,029	319,654	427	3,128,838
Land Improvements	59,992	-	4,096	-	64,088	8,237	3,585	(491)	75,419
Improvements Other Than Buildings	27,476	-	672	(66)	28,082	-	495	-	28,577
Infrastructure	94,847	-	7,575	(496)	101,926	-	19,673	-	121,599
Intangible Assets	38,807	1,224	6,044	(134)	45,941	944	-	(190)	46,695
<b>Total Capital Assets,</b>									
<b>Depreciable/Amortizable</b>	<b>3,437,725</b>	<b>44,323</b>	<b>263,436</b>	<b>(27,124)</b>	<b>3,718,360</b>	<b>69,051</b>	<b>346,906</b>	<b>(15,143)</b>	<b>4,119,174</b>
<b>Less Accumulated Depreciation/</b>									
<b>Amortization for:</b>									
Equipment	(241,526)	(28,314)	-	12,059	(257,781)	(29,192)	-	11,398	(275,575)
Library Materials	(279,325)	(10,501)	-	1,297	(288,529)	(9,409)	-	1,512	(296,426)
Buildings	(858,695)	(76,144)	-	1,074	(933,765)	(85,345)	-	(591)	(1,019,701)
Land Improvements	(21,717)	(3,534)	-	3	(25,248)	(3,928)	-	(38)	(29,214)
Improvements Other Than Buildings	(16,797)	(1,469)	-	(8)	(18,274)	(1,621)	-	(186)	(20,081)
Infrastructure	(48,430)	(2,877)	-	(549)	(51,856)	(4,795)	-	(378)	(57,029)
Intangible Assets	(26,680)	(2,124)	-	(9)	(28,813)	(2,495)	-	36	(31,272)
<b>Total Accumulated Depreciation/</b>									
<b>Amortization</b>	<b>(1,493,170)</b>	<b>(124,963)</b>	<b>-</b>	<b>13,867</b>	<b>(1,604,266)</b>	<b>(136,785)</b>	<b>-</b>	<b>11,753</b>	<b>(1,729,298)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,473,203</b>	<b>\$ 171,879</b>	<b>\$ -</b>	<b>\$ (14,744)</b>	<b>\$ 2,630,338</b>	<b>\$ 114,408</b>	<b>\$ -</b>	<b>\$ (3,214)</b>	<b>\$ 2,741,532</b>
<b>Capital Assets Summary</b>									
Capital Assets, Non-depreciable/ Non-amortizable	\$ 528,648	\$ 252,519	\$ (263,436)	\$ (1,487)	\$ 516,244	\$ 182,142	\$ (346,906)	\$ 176	\$ 351,656
Capital Assets, Depreciable/ Amortizable	3,437,725	44,323	263,436	(27,124)	3,718,360	69,051	346,906	(15,143)	4,119,174
Total Cost of Capital Assets	3,966,373	296,842	-	(28,611)	4,234,604	251,193	-	(14,967)	4,470,830
Less Accumulated Depreciation/ Amortization	(1,493,170)	(124,963)	-	13,867	(1,604,266)	(136,785)	-	11,753	(1,729,298)
<b>Total Capital Assets, Net</b>	<b>\$ 2,473,203</b>	<b>\$ 171,879</b>	<b>\$ -</b>	<b>\$ (14,744)</b>	<b>\$ 2,630,338</b>	<b>\$ 114,408</b>	<b>\$ -</b>	<b>\$ (3,214)</b>	<b>\$ 2,741,532</b>

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2013	June 30, 2012
Services and Supplies	\$ 86,174	\$ 75,574
Accrued Interest	29,191	30,497
Salaries and Wages	24,821	21,283
Return of Debt Service	-	-
Payroll Related Expenses	2,357	2,025
Contract Retainage Payable	9,507	10,527
Matured Bonds, COPs and Interest Payable	1,022	1,477
Other	42	7
<b>Total</b>	<b>\$ 153,114</b>	<b>\$ 141,390</b>

## 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 \$9,296 and \$9,061 for the years ended June 30, 2013 and 2012, respectively. The original cost of assets leased, net of depreciation, was \$58,382 and \$51,943 for the years ended June 30, 2013 and 2012, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2013 were:

For the year ending June 30,	
2014	\$ 9,026
2015	5,127
2016	4,259
2017	3,599
2018	2,907
2019-2023	11,662
2024-2028	12,951
2029-2033	14,691
2034-2038	17,897
2039-2043	22,149
2044-2048	10,965
2049-2053	3,326
2054-2058	3,367
<b>Total Minimum Operating Lease Revenues</b>	<b>\$ 121,926</b>

### B. Payables/Expenses

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$13,924 and \$15,019 for the years ended June 30, 2013 and 2012, respectively. Minimum future lease payments on operating leases at June 30, 2013 were:

For the year ending June 30,	
2014	\$ 12,413
2015	10,184
2016	9,135
2017	8,140
2018	6,950
2019-2023	27,415
2024-2028	11,692
2029-2033	3,657
2034-2038	1,261
2039-2043	1,257
2044-2048	1,256
2049-2053	1,256
2054 and after	5,631
<b>Total Minimum Operating Lease Payments</b>	<b>\$ 100,247</b>



OSU

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

## 8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance			Balance	Amounts	
	June 30,	Additions	Reductions		June 30,	Due Within
	2012			2013	One Year	Portion
<b>Long-Term Debt</b>						
General Obligation Bonds XI-F(1)	\$ 1,148,655	\$ 237,731	\$ (234,884)	\$ 1,151,502	\$ 41,012	\$ 1,110,490
General Obligation Bonds XI-G	412,144	68,507	(78,566)	402,085	11,785	390,300
General Obligation Bonds XI-Q	42,260	4,896	(2,074)	45,082	2,491	42,591
Oregon Department of Energy Loans (SELP)	96,599	15,691	(4,089)	108,201	4,734	103,467
Certificates of Participation (COPs)	97,404	-	(12,856)	84,548	6,885	77,663
Lottery Bonds	107,684	123,648	(13,056)	218,276	4,247	214,029
Capital Leases	556	75	(71)	560	79	481
Arbitrage	123	-	(120)	3	-	3
Installment Purchase	373	36	(80)	329	117	212
<b>Total Long-Term Debt</b>	<b>1,905,798</b>	<b>450,584</b>	<b>(345,796)</b>	<b>2,010,586</b>	<b>71,350</b>	<b>1,939,236</b>
<b>Other Noncurrent Liabilities</b>						
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
<b>Total Other Noncurrent Liabilities</b>	<b>208,020</b>	<b>53,812</b>	<b>(66,952)</b>	<b>194,880</b>	<b>51,097</b>	<b>143,783</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 2,113,818</b>	<b>\$ 504,396</b>	<b>\$ (412,748)</b>	<b>\$ 2,205,466</b>	<b>\$ 122,447</b>	<b>\$ 2,083,019</b>

	Balance			Balance	Amounts	
	June 30,	Additions	Reductions		June 30,	Due Within
	2011			2012	One Year	Portion
<b>Long-Term Debt</b>						
General Obligation Bonds XI-F(1)	\$ 1,190,370	\$ 86,300	\$ (128,015)	\$ 1,148,655	\$ 43,732	\$ 1,104,923
General Obligation Bonds XI-G	422,952	29,569	(40,377)	412,144	13,777	398,367
General Obligation Bonds XI-Q	41,685	2,007	(1,432)	42,260	2,111	40,149
Oregon Department of Energy Loans (SELP)	91,144	9,064	(3,609)	96,599	3,836	92,763
Certificates of Participation (COPs)	105,637	-	(8,233)	97,404	7,932	89,472
Lottery Bonds	108,843	5,493	(6,652)	107,684	2,496	105,188
Capital Leases	614	15	(73)	556	65	491
Arbitrage	274	-	(151)	123	123	-
Installment Purchase	-	455	(82)	373	80	293
<b>Total Long-Term Debt</b>	<b>1,961,519</b>	<b>132,903</b>	<b>(188,624)</b>	<b>1,905,798</b>	<b>74,152</b>	<b>1,831,646</b>
<b>Other Noncurrent Liabilities</b>						
PERS pre-SLGRP pooled Liability	103,440	-	(2,061)	101,379	2,211	99,168
Compensated Absences	47,423	51,478	(47,423)	51,478	48,159	3,319
OHSU Contract Payable	28,029	-	(7,208)	20,821	1,234	19,587
Other Postemployment Benefits	14,116	2,536	-	16,652	-	16,652
Employee Deferred Compensation	12,067	49	(1,180)	10,936	1,229	9,707
Employee Termination Liabilities	3,346	125	(1,202)	2,269	865	1,404
Unearned Revenue	1,879	-	(82)	1,797	100	1,697
Early Retirement Liability	1,891	1,479	(682)	2,688	1,764	924
<b>Total Other Noncurrent Liabilities</b>	<b>212,191</b>	<b>55,667</b>	<b>(59,838)</b>	<b>208,020</b>	<b>55,562</b>	<b>152,458</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 2,173,710</b>	<b>\$ 188,570</b>	<b>\$ (248,462)</b>	<b>\$ 2,113,818</b>	<b>\$ 129,714</b>	<b>\$ 1,984,104</b>

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (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					Lottery Bonds	Capital Leases	Other Borrowings	Total Payments	Principal	Interest
	XI-F(1)	XI-G	XI-Q	SELP	COPs						
2014	\$ 90,712	\$ 29,635	\$ 4,374	\$ 10,121	\$ 10,222	\$ 11,618	\$ 123	\$ 145	156,950	\$ 63,663	\$ 93,287
2015	90,777	30,519	4,358	10,000	8,696	13,954	122	129	158,555	69,480	89,075
2016	91,822	30,540	4,367	9,906	7,858	15,336	120	115	160,064	72,345	87,719
2017	92,177	30,574	3,867	9,721	7,675	16,751	111		160,876	74,048	86,828
2018	90,027	30,557	3,800	9,606	7,300	16,563	93		157,946	75,769	82,177
2019-2023	418,031	145,529	16,407	45,248	30,354	85,654	144		741,367	400,311	341,056
2024-2028	377,757	139,181	11,905	43,860	29,008	89,304			691,015	458,086	232,929
2029-2033	307,074	101,233	7,733	25,622	12,054	53,071			506,787	377,416	129,371
2034-2038	222,396	66,555	3,911		3,145				296,007	243,860	52,147
2039-2043	67,632	23,373							91,005	84,925	6,080
Accreted Interest										46,160	(46,160)
										\$ 1,966,063	\$ 1,154,509
<b>Total Future Debt Service</b>	<b>1,848,405</b>	<b>627,696</b>	<b>60,722</b>	<b>164,084</b>	<b>116,312</b>	<b>302,251</b>	<b>713</b>	<b>389</b>	<b>3,120,572</b>		
Less: Interest Component of Future Payments	(712,055)	(227,885)	(20,498)	(55,883)	(34,609)	(103,369)	(153)	(57)	(1,154,509)		
<b>Principal Portion of Future Payments</b>	<b>1,136,350</b>	<b>399,811</b>	<b>40,224</b>	<b>108,201</b>	<b>81,703</b>	<b>198,882</b>	<b>560</b>	<b>332</b>	<b>1,966,063</b>		
Adjusted by:											
Unamortized Bond Premiums	46,423	13,210	5,526		2,845	19,445			87,449		
Deferred Gain on Refunding	(31,271)	(10,936)	(668)			(51)			(42,926)		
<b>Total Long-Term Debt</b>	<b>\$ 1,151,502</b>	<b>\$ 402,085</b>	<b>\$ 45,082</b>	<b>\$ 108,201</b>	<b>\$ 84,548</b>	<b>\$ 218,276</b>	<b>\$ 560</b>	<b>\$ 332</b>	<b>\$ 2,010,586</b>		

### A. General Obligation Bonds XI-F(1)

The Oregon Constitution authorizes OUS to issue Article XI-F(1) State of Oregon General Obligation Bonds. Article XI-F(1) bond issuances are used to finance construction. OUS policy requires the establishment and maintenance of sinking funds and those funds are included in Cash and Cash Equivalents. See "I. Defeased Debt" in this note for information relating to debt issued to refund existing debt.

XI-F(1) bonds, with effective yields ranging from 0.23 percent to 7.0 percent, are due serially through 2043.

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

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

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

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

### 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, 2013, OUS issued bonded indebtedness as follows:

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

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

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

### C. General Obligation Bonds XI-Q

The Oregon Constitution authorizes issuance of Article XI-Q State of Oregon General Obligation Bonds. Article XI-Q bond issuances are issued to finance certain equipment, computer software purchases and construction projects. OUS makes payments (principal and interest) to a trustee in accordance with an interagency agreement. The trustee, in turn, makes the debt service payments to XI-Q bondholders. XI-Q, with effective yields ranging from 0.46 percent to 3.7 percent, are due serially through fiscal year 2036.

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

- XI-Q Tax Exempt Bond Series 2013 J, \$4,543, effective rate of 2.78 percent for refunding due serially through 2027.

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

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

#### **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 1.7 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 0.24 percent to 5.3 percent, are due through fiscal year 2033.

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.

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

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

#### **G. Arbitrage Rebate Liability**

The Tax Reform Act of 1986 placed restrictions on the non-purpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. The total arbitrage rebate liability as of June 30, 2013 and 2012 was \$3 and \$123, respectively.

#### **H. Debt Related to Oregon Health & Science University**

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

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

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

A note receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU (See Note 4). At June 30, 2013 and 2012, long-term debt of OUS that relates to OHSU was \$42,388 and \$46,698, 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, 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).

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.

During the year ended June 30, 2012, OUS issued \$73,830 in XI-F(1) bonds with an average interest rate of 4.3 percent to refund \$78,515 in XI-F(1) bonds with an average interest rate of 4.99 percent. The net proceeds of the bonds were \$88,442 (after bond premium of \$15,007 and payment of \$395 in underwriting costs).

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

During the year ended June 30, 2012, OUS issued \$26,650 in XI-G bonds with an average interest rate of 3.9 percent to refund \$28,090 in XI-G bonds with an average interest rate of 4.27 percent. The net proceeds of the bonds were \$30,250 (after bond premium of \$3,749 and payment of \$147 in underwriting costs).

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

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

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

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

The total amount of the defeased debt outstanding but removed from the financial statements amounted to \$418,320 at June 30, 2013 and \$165,225 at June 30, 2012; none of which was related to OHSU at 2013 and 2012.

## J. Capital Leases

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$737 and \$705 as of June 30, 2013 and 2012, respectively. Accumulated depreciation of leased equipment totaled \$222 and \$182 for June 30, 2013 and 2012, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2020. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 6.0 percent to 15.1 percent with a weighted average interest rate of 8.3 percent.

## K. State and Local Government Rate Pool

As the result of conversations between the Oregon Public Employee Retirement System (PERS) and the GASB staff related to implementation of the new pension standards, GASB Statements No. 67 and 68, PERS informed State Accounting and Reporting that the pension plan should record a receivable related to the pre-State and Local Government Rate Pool (SLGRP) pooled liability, and correspondingly, the State should record its portion of the related liability. This liability is allocated, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. The OUS share of the liability is reported as a prior year adjustment to the beginning balance for the year ending June 30, 2012. See Note 9 for prior year adjusted amounts. Interest expense was paid in the amount of \$6,555 and \$7,070 for June 30, 2013 and 2012, respectively. Principal payments of \$2,211 and \$2,061 were applied to the liability for June 30, 2013 and 2012, respectively.



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. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate. 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.

#### L. 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.

#### M. 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 one to five years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.87 percent.

#### N. 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 \$464 liability will be paid out through fiscal year 2016.

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, through 2020.

OSU offered a voluntary tenure relinquishment plan from May 1 to December 1, 2010. The tenured faculty had to meet specific length of service and retirement eligibility criteria. In exchange for relinquishing tenure, the faculty members receive subsidy payments for health benefits for a term not to exceed 36 months following retirement. The subsidy payment is adjusted on an

annual basis based on specified premium rates. Thirty-four faculty members entered into a contractual agreement with OSU to participate in this plan.

EOU 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 through 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 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, 2013, seven retirees were participating in the health and benefits option of this plan.

Early retirement liabilities comprised \$777 and \$1,764 in Current Portion of Long-Term Liabilities and \$766 and \$924 in Long-Term Liabilities as of June 30, 2013 and 2012, 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. UNRESTRICTED NET POSITION

Unrestricted Net Position comprised the following:

	June 30, 2013	June 30, 2012
Education and General Funds	\$155,942	\$ 185,001
Designated Operating Funds	40,372	35,584
Service Department Funds	1,803	6,550
Housing Funds	30,708	40,101
Intercollegiate Athletics Funds	(3,264)	(13,877)
Other Auxiliary Funds and Other Funds	(44,053)	(19,050)
Repair and Replacements Funds	24,366	23,982
Unrestricted Endowment Funds	2,944	2,744
	<b>\$208,818</b>	<b>\$ 261,035</b>

As of July 1, 2012 the beginning net position was restated for the PERS SLGRP liability as follows:

	As Originally Reported	To Record PERS Liability	As Restated
Net Assets as of July 1, 2011	1,554,413	(103,441)	1,450,972
Change in Net Assets	10,221	2,062	12,283
Net Assets as of June 30, 2012	1,564,634		1,463,255

The restatement decreased Unrestricted Net Position \$88,164 and Restricted Expendable Gifts, Grants, and Contracts \$15,276.

## 10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2013	June 30, 2012
Interest Income	\$ 9,908	\$ 6,621
Net Appreciation of Investments	3,638	7,315
Royalties and Technology Transfer Income	20,604	16,874
Endowment Income	2,470	2,559
Trust Income Distribution	(2,458)	(2,546)
Gain (Loss) on Sale of Investment	1,784	594
Dividend Income	1	1
Other	43	(33)
	<u>\$ 35,990</u>	<u>\$ 31,385</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, 2013	June 30, 2012
Compensation and Benefits	\$ 1,527,124	\$ 1,456,445
Services and Supplies	534,779	510,197
Scholarships and Fellowships	139,157	132,488
Depreciation and Amortization	136,785	124,963
Other Expenses	11,242	11,509
	<u>\$ 2,349,087</u>	<u>\$ 2,235,602</u>

## 12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following:

	June 30, 2013		
	General	Debt	Total
	Operation	Service	
<b>General Fund</b>	\$ 296,553	\$ 43,419	\$ 339,972
<b>Lottery Funding</b>	4,039	11,597	15,636
<b>Harvest Tax</b>	3,116	-	3,116
<b>Total State Appropriations</b>	<u>303,708</u>	<u>55,016</u>	<u>358,724</u>
<b>Federal Appropriations</b>	8,972	-	8,972
<b>County Appropriations</b>	7,326	-	7,326
<b>Total Appropriations</b>	<u>\$ 320,006</u>	<u>\$ 55,016</u>	<u>\$ 375,022</u>
	June 30, 2012		
	General	Debt	Total
	Operations	Service	
General Fund	\$ 284,924	\$ 43,369	\$ 328,293
Lottery Funding	4,366	5,747	10,113
Harvest Tax	3,486	-	3,486
<b>Total State Appropriations</b>	<u>292,776</u>	<u>49,116</u>	<u>341,892</u>
Federal Appropriations	8,009	-	8,009
County Appropriations	7,047	-	7,047
<b>Total Appropriations</b>	<u>\$ 307,832</u>	<u>\$ 49,116</u>	<u>\$ 356,948</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 offers two retirement plans in which OUS employees are eligible to participate, the State of Oregon Public Employees Retirement System and the Oregon Public Service Retirement Plan. These plans are administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

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

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

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

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

The employer contribution rates for Tier One and Two are as follows:

<u>Tier One - Tier Two</u>	<u>2013</u>	<u>2012</u>
General Service	<b>9.55%</b>	<b>9.55%</b>
Police and Fire	<b>17.40%</b>	<b>17.40%</b>

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

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

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.33 percent. Payroll assessments for the fiscal years ended June 30, 2013 and 2012 were \$33,594 and \$31,399, respectively.

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

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

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

<u>OPSRP</u>	<u>2013</u>	<u>2012</u>
General Service	<b>8.05%</b>	<b>8.05%</b>
Police and Fire	<b>10.76%</b>	<b>10.76%</b>

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, 2013 and 2012 were \$47,259 and \$45,176, 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, 2011. 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, 2011, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$60.2 billion and \$986.4 million, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$44.1 billion and \$840.5 million, respectively. Information for OUS as a stand-alone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking on the internet at [http://www.oregon.gov/pers/docs/financial\\_reports/2012\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2012_cafr.pdf), 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 trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to OUS unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

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

The employer contribution rates for the ORP are as follows:

	2013	2012
ORP Tier One	16.14%	16.14%
ORP Tier Two	16.14%	16.14%
OPSRP Equivalent	6.21%	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 percent. Employees may also contribute 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 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, 2013, the plan was fully funded.

### Summary of Pension Payments

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 payments made by OUS to pension plans for the fiscal year:

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

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

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

	June 30, 2012			
	As a % of		As a % of	
	Employer Contribution	Covered Payroll	Employee Contribution	Covered Payroll
<b>PERS/OPSRP</b>	\$ 45,176	5.83%	\$ 30,528	3.94%
<b>ORP</b>	27,765	3.58%	15,008	1.94%
<b>TIAA-CREF</b>	231	0.03%	231	0.03%
<b>Federal</b>	413	0.05%	129	0.02%
<b>FERS - TSP</b>	117	0.02%	342	0.04%
<b>SRP</b>	418	0.05%	-	0.00%
<b>\$</b>	<b>74,120</b>	<b>9.56%</b>	<b>\$ 46,238</b>	<b>5.97%</b>

Of the employee share, the employer paid \$30,174 of PERS/OPSRP, \$14,938 of ORP, and \$231 of TIAA-CREF during the fiscal year ended June 30, 2012. The federal contributions of \$129 represent FERS and CSRS employees, and the \$342 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2012.

## 14. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* OUS participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board (PEBB), which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows OUS employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an “implicit rate subsidy” because the healthcare insurance premiums paid by OUS for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone. The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to OUS’s share, estimated at 29 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 2013.

*Funding Policy.* OUS’s current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2013 and 2012, OUS paid healthcare insurance premiums of \$208,843 and \$196,526, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$2,385 and \$2,479 for the fiscal years ended 2013 and 2012, respectively.

*Annual OPEB Cost and Net OPEB Obligation.* OUS’s annual OPEB expense is calculated based on OUS’s annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over thirty years. The following table shows the components of OUS’s annual OPEB expense for the year, the amount actually contributed to the plan, and changes in OUS’s net OPEB obligation:

	June 30, 2013	June 30, 2012
Annual Required Contribution	\$ 5,965	\$ 5,498
Interest on Net OPEB Obligation	645	534
Adjustment to Annual Required Contribution	(1,233)	(1,017)
Annual OPEB Cost	<u>5,377</u>	<u>5,015</u>
Contributions Made	(2,384)	(2,479)
Increase in Net OPEB Obligation	<u>2,993</u>	<u>2,536</u>
Net OPEB Obligation - Beginning of Year	<u>16,652</u>	<u>14,116</u>
Net OPEB Obligation - End of Year	<u>\$ 19,645</u>	<u>\$ 16,652</u>

The OUS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended 2013, 2012 and 2011 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 5,965	50%	\$ 2,993
2012	5,499	54%	2,536
2011	4,681	56%	2,062

*Funding Status and Funding Progress.* The funded status of the OUS OPEB plan for June 30, 2013 and 2012 were as follows:

	June 30, 2013	June 30, 2012
Actuarial Accrued Liabilities	\$ 44,109	\$ 42,593
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	<u>\$ 44,109</u>	<u>\$ 42,593</u>
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	\$ 817,315	\$ 730,999
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	5.40%	5.83%

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

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

	June 30, 2013 7/1/2011	June 30, 2012 7/1/2011
Actuarial Valuation Date	7/1/2011	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	4% (medical), 2.7% (dental)	4% (medical), 2.7% (dental)
Ultimate Healthcare Inflation Rates	5.5% (medical), 5% (dental)	5.5% (medical), 5% (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, 2013 and 2012, was \$7,109 and \$6,796, respectively.

## 16. RISK FINANCING

ORS 351.096, passed in the 2011 legislative session, authorized the State Board of Higher Education to operate a self-insurance program. On July 1, 2012 OUS established a Risk Management Fund to account for and finance a self-insured retention underlying a comprehensive higher education insurance program. The OUS Office of Risk Management (Risk Management) administers OUS's property and casualty insurance programs.

Prior to July 1, 2012 OUS participated in the state insurance fund managed by the State of Oregon Risk Management Division of the Department of Administrative Services (Division). OUS no longer participates in the state insurance fund. The following risks have been transferred from the state insurance fund to the OUS Risk Management Fund:

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

OUS Risk Management purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risk of loss. The self-insured property coverage is based on a total insurable value of \$9.3 billion with a \$500 million limit of liability with sub-limits for earthquake and flood. The casualty program provides coverage for a variety of torts, perils, hazards and potential specialty losses under the Risk Management property and casualty program as well as specific student related policies. Limits of liability for this program including excess layers include \$50 million for:

- General liability including sexual molestation coverage and liability for students in supervised internships or others as directed by the university
- Educator's legal liability (including D&O and employment liability)
- Limited professional liability for veterinarians, architects & engineers, and law clinics, plus student health employee coverage for medical malpractice
- Automobile liability
- Workers' compensation excess coverage with an attachment point of underlying coverage of \$1 million for each injury, illness and disease.

Additional specialty coverage is in place to include crime, marine liability, aircraft liability for owned and non-owned coverage, and

fiduciary liability for our involvement in retirement funds. In addition, student-specific coverage is maintained for intercollegiate athletics, student health insurance, study abroad insurance, medical malpractice for student practicums, and camps and clinics. Settled claims have not exceeded this commercial coverage in this first year of the program.

All seven OUS institutions and the Chancellor's Office participate in the program and make payments to the Risk Management Fund based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

Liabilities include an amount for claims that have been incurred but not reported (IBNR) of \$6,667. Changes in the balance of aggregate claims liabilities, including IBNR for the property, liability, and workers' compensation insurance program for the year ended June 30, 2013 (in thousands):

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

## 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 \$272,839 and \$210,775 at June 30, 2013 and 2012, 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, 2013.

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

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS 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, 2013.

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

**Construction Commitments as of June 30, 2013**

Campus/Project Description	Total Commitment	Completed to Date	Outstanding Commitment
<b>Eastern Oregon University:</b>			
Deferred Maintenance	\$ 805	\$ 715	\$ 90
<b>Oregon Institute of Technology:</b>			
Deferred Maintenance	1,105	214	891
Geothermal Power Plant	8,902	6,454	2,448
<b>Oregon State University:</b>			
Austin Hall	24,100	6,655	17,445
Campus Wide Critical Repair	3,341	1,899	1,442
Capital Repair	5,905	3,265	2,640
Cultural Centers	5,322	1,439	3,883
Engineering Building	1,000	2	998
MU Renovation	9,620	207	9,413
Multi Animal Teaching Facility	6,240	948	5,292
New Residence Hall	38,000	1,411	36,589
Radiation Center Renovation	1,449	396	1,053
Reser Phase 2 - Gill Annex	5,000	1,027	3,973
Sackett Hall Renovation	6,000	2,853	3,147
Sports Performance Center	12,000	11,053	947
Steam Line Repair	3,000	2,112	888
Strand Agriculture Hall	13,437	1,741	11,696
Student Experience Center	42,700	797	41,903
Student Success Center	7,392	6,376	1,016
UHDS Renovations	4,430	1,291	3,139
Weniger Renovation	2,810	289	2,521
<b>Portland State University:</b>			
Capital Repair	21,990	12,420	9,570
Lincoln Hall Broadway Tower	1,942	642	1,300
Moves	2,872	1,702	1,170
Parking I Capital Repair	4,000	1,773	2,227
Student Building Fee Projects	1,100	148	952
<b>Southern Oregon University:</b>			
Capital Repair	3,166	1,440	1,726
Dining Facility	6,973	5,495	1,478
Science Building	20,852	376	20,476
<b>University of Oregon:</b>			
Allen Hall	10,548	6,737	3,811
Anstett Hall	6,761	5,675	1,086
Capital Repair	46,083	35,411	10,672
Central Kitchen/Woodshop	8,500	85	8,415
Erb Memorial Union	6,461	4,670	1,791
Global Scholars Hall	33,000	29,423	3,577
Prince Lucien Campbell Hall	1,000	20	980
Straub Hall	12,521	2,745	9,776
<b>Western Oregon University:</b>			
Capital Repair	6,617	4,041	2,576
DeVolder Family Science Center	7,862	6,298	1,564
Health Wellness Center	3,100	2,416	684
<b>Collaborative Projects:</b>			
Collaborative Life Sciences Building	80,633	52,394	28,239
<b>Projects with &lt;\$500 thousand remaining to be spent</b>			
	190,026	184,209	5,817
<b>Project Budgets &lt;\$1 million</b>			
	5,894	2,356	3,538
	<b>\$ 684,459</b>	<b>\$ 411,620</b>	<b>\$ 272,839</b>

## 18. SUBSEQUENT EVENTS

### Bonded Indebtedness

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

- XI-F Tax Exempt Bonds 2013 Series N, \$106,940, average coupon of 5.0 percent for capital construction with a final maturity of 2043
- XI-F Taxable Bonds 2013 Series O, \$8,165, average coupon of 4.2 percent for capital construction with a final maturity of 2033.

### Oregon University System Structure Changes

During the 2013 Legislative Session, the Legislative Assembly enacted Senate Bill 270 (SB 270), Chapter 768, Oregon Laws 2013, which, among other things, establishes independent governing boards for Portland State University (PSU) and the University of Oregon (UO), and authorizes Oregon State University (OSU) to elect to establish an independent governing board. OSU has notified the Governor of its election to establish an independent governing board. SB 270 became effective August 14, 2013, however, certain provisions of SB 270, including the authority of the independent governing boards, will not be effective until July 1, 2014. Beginning with fiscal year ending June 30, 2015, UO, PSU, and OSU will issue financial reports independent from the Oregon University System Annual Report.

## 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, 2013 and 2012, except for Eastern Oregon University Foundation reporting for December 31, 2012 and 2011.

During the years ended June 30, 2013 and 2012, gifts of \$114,900 and \$114,061, respectively, were transferred from university foundations to OUS universities. All of the OUS affiliated foundations are audited annually and received unqualified audit opinions except for the following:

## Restatements

Per GASB No. 39, management evaluates annually the criteria of certain organizations for which the University is not financially accountable. As part of the evaluation for Fiscal Year 2013, it was determined that an entity previously presented as a discretely presented component unit (DPCU) no longer met the significant financial resources criterion. Therefore, the entity has been removed from the University's financial reporting entity effective July 1, 2011. The impact on net assets of the removal of the entity was a decrease of \$23,334.

In addition, Western Oregon University Development Foundation and Oregon Tech Foundation annual reports included restatements to correct errors. A summary of the adjustments to restate beginning net assets is as follows:

	Net Assets as Originally Reported	To Adjust for Assets Incorrectly Reported in Prior Years	To Remove Entity Previously Reported as DPCU	Net Assets, as Restated
Net Assets as of July 1, 2011	\$ 1,378,688	49	(20,295)	\$ 1,358,442
Change in Net Assets	<u>17,401</u>	<u>(972)</u>	<u>(3,039)</u>	<u>13,390</u>
Net Assets as of June 30, 2012	<u>\$ 1,396,089</u>			<u>\$ 1,371,832</u>

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

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

- Eastern Oregon University Foundation, One University Blvd., La Grande, OR 97850-2807
- Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR 97601-8801
- Oregon State University Foundation, 850 SW 35th Street, PO Box 1438, Corvallis, OR 97339-1438
- Portland State University Foundation, 2125 SW Fourth Avenue, Suite 510, Portland, OR 97201
- Southern Oregon University Foundation, 1250 Siskiyou Boulevard, Ashland, OR 97520-5043
- University of Oregon Foundation, 1720 E. 13th Avenue, Suite 410, Eugene, OR 97403-2253
- Western Oregon University Development Foundation, 345 North Monmouth Avenue, Monmouth, OR 97361



OIT



[This Page Intentionally left blank.]

## Combining Financial Statements

### Statements of Financial Position

As of June 30, 2013

Eastern Oregon University Foundation *	Oregon Tech Foundation	Oregon State University Foundation
---	------------------------------	---

#### 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
<b>Total Assets</b>	<b>\$ 10,731</b>	<b>\$ 22,865</b>	<b>\$ 600,040</b>

#### LIABILITIES

Accounts Payable and Accrued Liabilities	\$ -	\$ 36	\$ 3,462
Accounts Payable to Universities	-	144	2,782
Obligations to Beneficiaries of Split-Interest Agreements	-	1,148	26,319
Deposits and Unearned Revenue	-	-	-
Long-Term Liabilities	-	1,231	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,559</b>	<b>\$ 32,563</b>

#### NET POSITION

Unrestricted Surplus (Deficit)	\$ 830	\$ 8,746	\$ (3,912)
Temporarily Restricted	4,300	3,893	237,531
Permanently Restricted	5,601	7,667	333,858
<b>Total Net Position</b>	<b>\$ 10,731</b>	<b>\$ 20,306</b>	<b>\$ 567,477</b>

### Statements of Activities

For the Year Ended June 30, 2013

#### REVENUES

Grants, Bequests and Gifts	\$ 336	\$ 2,588	\$ 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	147	15,204
<b>Total Revenues</b>	<b>1,472</b>	<b>4,879</b>	<b>112,223</b>

#### EXPENSES

University Support	441	920	48,746
General and Administrative	205	646	18,375
Other Expenses	-	150	7,839
<b>Total Expenses</b>	<b>646</b>	<b>1,716</b>	<b>74,960</b>
<b>Increase (Decrease) In Net Position Before Other Changes in Net Position</b>	<b>826</b>	<b>3,163</b>	<b>37,263</b>
Other Changes In Net Position			
<b>Increase (Decrease) In Net Position</b>	<b>826</b>	<b>3,163</b>	<b>37,263</b>

#### NET POSITION

Beginning Balance (Restated)	9,905	17,143	530,214
<b>Ending Balance</b>	<b>\$ 10,731</b>	<b>\$ 20,306</b>	<b>\$ 567,477</b>

\* As of December 31, 2012

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (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
<b>\$ 122,211</b>	<b>\$ 25,194</b>	<b>\$ 878,938</b>	<b>\$ 12,719</b>	<b>\$ 1,672,698</b>
\$ 1,867	\$ 26	\$ 1,672	\$ -	\$ 7,063
362	447	81	-	3,816
1,022	525	42,590	1,120	72,724
2,151	180	16,401	-	18,732
47,047	385	24,779	-	73,442
<b>\$ 52,449</b>	<b>\$ 1,563</b>	<b>\$ 85,523</b>	<b>\$ 1,120</b>	<b>\$ 175,777</b>
\$ (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
<b>\$ 69,762</b>	<b>\$ 23,631</b>	<b>\$ 793,415</b>	<b>\$ 11,599</b>	<b>\$ 1,496,921</b>
\$ 19,203	\$ 1,642	\$ 143,468	\$ 1,065	\$ 220,905
-	-	-	312	15,380
3,546	1,940	67,365	424	103,432
-	(64)	4,584	-	6,635
8,736	1,089	1,240	210	26,982
<b>31,485</b>	<b>4,607</b>	<b>216,657</b>	<b>2,011</b>	<b>373,334</b>
19,297	2,142	136,937	2,400	210,883
2,153	901	6,900	160	29,340
-	33	-	-	8,022
<b>21,450</b>	<b>3,076</b>	<b>143,837</b>	<b>2,560</b>	<b>248,245</b>
<b>10,035</b>	<b>1,531</b>	<b>72,820</b>	<b>(549)</b>	<b>125,089</b>
				-
<b>10,035</b>	<b>1,531</b>	<b>72,820</b>	<b>(549)</b>	<b>125,089</b>
<b>59,727</b>	<b>22,100</b>	<b>720,595</b>	<b>12,148</b>	<b>1,371,832</b>
<b>\$ 69,762</b>	<b>\$ 23,631</b>	<b>\$ 793,415</b>	<b>\$ 11,599</b>	<b>\$ 1,496,921</b>

## Component Units Combining Financial Statements

### Statements of Financial Position

As of June 30, 2012

	Eastern Oregon University Foundation *	Oregon Tech Foundation	Oregon State University Foundation
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,751	\$ 214	\$ 10,509
Contributions, Pledges and Grants Receivable, Net	1,122	2,148	44,460
Investments	5,686	18,417	488,110
Prepaid Expenses and Other Assets	401	273	15,399
Property and Equipment, Net	1,118	354	12,801
<b>Total Assets</b>	<b>\$ 10,078</b>	<b>\$ 21,406</b>	<b>\$ 571,279</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 18	\$ 10,819
Accounts Payable to Universities	-	81	3,888
Obligations to Beneficiaries of Split-Interest Agreements	-	1,445	26,358
Deposits and Unearned Revenue	173	-	-
Long-Term Liabilities	-	2,719	-
<b>Total Liabilities</b>	<b>\$ 173</b>	<b>\$ 4,263</b>	<b>\$ 41,065</b>
<b>NET POSITION</b>			
Unrestricted Surplus (Deficit)	\$ 609	\$ 8,523	\$ (9,717)
Temporarily Restricted	3,781	2,878	222,739
Permanently Restricted	5,515	5,742	317,192
<b>Total Net Position</b>	<b>\$ 9,905</b>	<b>\$ 17,143</b>	<b>\$ 530,214</b>

### Statements of Activities

For the Year Ended June 30, 2012

<b>REVENUES</b>			
Grants, Bequests and Gifts	\$ 800	\$ 1,238	\$ 67,644
Interest and Dividends	-	-	12,866
Investment Income, Net	(81)	(1,229)	(12,890)
Change in Value of Life Income Agreements	(12)	(66)	(720)
Other Revenues	280	29	13,953
<b>Total Revenues</b>	<b>987</b>	<b>(28)</b>	<b>80,853</b>
<b>EXPENSES</b>			
University Support	358	713	52,166
General and Administrative	310	563	17,453
Other Expenses	-	150	7,103
<b>Total Expenses</b>	<b>668</b>	<b>1,426</b>	<b>76,722</b>
<b>Increase (Decrease) In Net Position Before Other Changes in Net Position</b>	<b>319</b>	<b>(1,454)</b>	<b>4,131</b>
Other Changes In Net Position	123		
<b>Increase (Decrease) In Net Position</b>	<b>442</b>	<b>(1,454)</b>	<b>4,131</b>
<b>NET POSITION</b>			
Beginning Balance (Restated)	9,463	18,597	526,083
<b>Ending Balance</b>	<b>\$ 9,905</b>	<b>\$ 17,143</b>	<b>\$ 530,214</b>

\* As of December 31, 2011

| NOTES TO THE FINANCIAL STATEMENTS |  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (DOLLARS IN THOUSANDS)

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Total Component Units
\$ 1,088	\$ 891	\$ 9,379	\$ 1,678	\$ 25,510
3,384	85	130,990	52	182,241
61,150	20,907	642,068	10,871	1,247,209
8,499	1,850	11,832	475	38,729
36,472	293	13,393	174	64,605
<b>\$ 110,593</b>	<b>\$ 24,026</b>	<b>\$ 807,662</b>	<b>\$ 13,250</b>	<b>\$ 1,558,294</b>
\$ 1,443	\$ 25	\$ 7,815	\$ -	\$ 20,120
255	363	37	-	4,624
922	536	42,741	1,102	73,104
173	167	11,253	-	11,766
48,073	835	25,221	-	76,848
<b>\$ 50,866</b>	<b>\$ 1,926</b>	<b>\$ 87,067</b>	<b>\$ 1,102</b>	<b>\$ 186,462</b>
\$ (3,858)	\$ (277)	\$ 4,241	\$ 1,004	\$ 525
30,110	3,823	363,394	4,234	630,959
33,475	18,554	352,960	6,910	740,348
<b>\$ 59,727</b>	<b>\$ 22,100</b>	<b>\$ 720,595</b>	<b>\$ 12,148</b>	<b>\$ 1,371,832</b>
\$ 15,925	\$ 3,450	\$ 90,506	\$ 1,934	\$ 181,497
-	-	-	325	13,191
(1,437)	(86)	7,176	(67)	(8,614)
-	(20)	827	-	9
8,525	983	457	204	24,431
<b>23,013</b>	<b>4,327</b>	<b>98,966</b>	<b>2,396</b>	<b>210,514</b>
19,523	1,800	86,448	1,204	162,212
1,860	784	6,646	153	27,769
-	13	-	-	7,266
<b>21,383</b>	<b>2,597</b>	<b>93,094</b>	<b>1,357</b>	<b>197,247</b>
<b>1,630</b>	<b>1,730</b>	<b>5,872</b>	<b>1,039</b>	<b>13,267</b>
				123
<b>1,630</b>	<b>1,730</b>	<b>5,872</b>	<b>1,039</b>	<b>13,390</b>
<b>58,097</b>	<b>20,370</b>	<b>714,723</b>	<b>11,109</b>	<b>1,358,442</b>
<b>\$ 59,727</b>	<b>\$ 22,100</b>	<b>\$ 720,595</b>	<b>\$ 12,148</b>	<b>\$ 1,371,832</b>

| 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
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 377	\$ 5,279	\$ 52,195
Collateral from Securities Lending	529	881	11,012
Accounts Receivable, Net	5,114	3,350	81,135
Notes Receivable, Net	259	504	4,793
Inventories	599	81	1,893
Prepaid Expenses	11	2,122	4,313
<b>Total Current Assets</b>	<b>6,889</b>	<b>12,217</b>	<b>155,341</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents	14,025	4,161	82,665
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
<b>Total Noncurrent Assets</b>	<b>94,247</b>	<b>113,012</b>	<b>1,024,077</b>
<b>TOTAL ASSETS</b>	<b>\$ 101,136</b>	<b>\$ 125,229</b>	<b>\$ 1,179,418</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated Decrease in Fair Value of Derivatives	-	-	27
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
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	2,399	1,459	22,811
Unearned Revenue	1,948	4,086	37,893
<b>Total Current Liabilities</b>	<b>7,358</b>	<b>8,771</b>	<b>107,495</b>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities	65,733	53,497	326,751
Due to Other OUS Funds and Entities	14,139	36,003	263,904
<b>Total Noncurrent Liabilities</b>	<b>79,872</b>	<b>89,500</b>	<b>590,655</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 87,230</b>	<b>\$ 98,271</b>	<b>\$ 698,150</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Accumulated Increase in Fair Value of Derivatives	-	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 7,297	\$ 13,258	\$ 285,414
Restricted For:			
Nonexpendable Endowments	554	-	3,611
Expendable:			
Gifts, Grants, and Contracts	794	184	35,721
Student Loans	1,765	3,393	34,508
Capital Projects	1,376	2,234	36,188
Debt Service	1,613	835	4,353
Unrestricted	507	7,054	81,500
<b>TOTAL NET POSITION</b>	<b>\$ 13,906</b>	<b>\$ 26,958</b>	<b>\$ 481,295</b>

| 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
\$ 24,048	\$ 2,939	\$ 71,729	\$ 9,736	\$ 36,103	\$ -	\$ 202,406
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	-	16,524
502	544	3,720	1,026	-	-	8,365
1,747	20	4,022	118	12,651	(447)	24,557
87,348	10,986	159,976	19,020	55,715	(447)	507,045
43,178	24,959	58,682	7,704	106,069	-	341,443
55,458	11,216	134,673	16,642	2,183	-	364,717
6,072	3,236	16,584	3,600	37,910	-	92,371
-	-	-	-	782,334	(782,334)	-
457,638	83,826	1,131,326	106,641	1,130	-	2,741,532
562,346	123,237	1,341,265	134,587	929,626	(782,334)	3,540,063
<b>\$ 649,694</b>	<b>\$ 134,223</b>	<b>\$ 1,501,241</b>	<b>\$ 153,607</b>	<b>\$ 985,341</b>	<b>\$ (782,781)</b>	<b>\$ 4,047,108</b>
-	-	-	-	-	-	27
\$ 28,757	\$ 3,329	\$ 29,714	\$ 5,447	\$ 51,150	\$ -	\$ 153,114
2,329	544	4,622	1,172	36,642	-	51,198
6,101	1,065	12,221	1,905	-	-	33,714
11,453	2,512	19,880	2,172	59,761	-	122,447
24,477	2,830	53,100	2,494	-	(447)	126,381
73,117	10,280	119,537	13,190	147,553	(447)	486,854
260,786	72,876	457,657	59,088	786,631	-	2,083,019
146,509	19,806	254,204	47,769	-	(782,334)	-
407,295	92,682	711,861	106,857	786,631	(782,334)	2,083,019
<b>\$ 480,412</b>	<b>\$ 102,962</b>	<b>\$ 831,398</b>	<b>\$ 120,047</b>	<b>\$ 934,184</b>	<b>\$ (782,781)</b>	<b>\$ 2,569,873</b>
-	-	-	-	-	-	-
\$ 78,136	\$ 17,744	\$ 478,995	\$ 9,034	\$ 48,106	\$ -	\$ 937,984
1,286	1,812	7,412	2	2,108	-	16,785
(1,163)	992	25,279	(343)	2,984	-	64,448
8,254	4,016	25,292	6,566	7	-	83,801
27,025	3,231	48,383	2,442	(17,584)	-	103,295
1,539	1,353	1,854	692	49,892	-	62,131
54,205	2,113	82,628	15,167	(34,356)	-	208,818
<b>\$ 169,282</b>	<b>\$ 31,261</b>	<b>\$ 669,843</b>	<b>\$ 33,560</b>	<b>\$ 51,157</b>	<b>\$ -</b>	<b>\$ 1,477,262</b>

| 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
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 13,934	\$ 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	35,401
Auxiliary Enterprises Revenues, Net	6,975	6,950	124,422
Other Operating Revenues	610	236	7,655
<b>Total Operating Revenues</b>	<b>23,905</b>	<b>29,479</b>	<b>587,380</b>
<b>OPERATING EXPENSES</b>			
Instruction	16,833	21,854	218,011
Research	251	592	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	7,427	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	3,517	3,023	46,559
<b>Total Operating Expenses</b>	<b>52,425</b>	<b>55,742</b>	<b>846,302</b>
<b>Operating Income (Loss)</b>	<b>(28,520)</b>	<b>(26,263)</b>	<b>(258,922)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Appropriations	13,851	16,613	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
<b>Net Nonoperating Revenues (Expenses)</b>	<b>20,754</b>	<b>24,569</b>	<b>225,191</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(7,766)</b>	<b>(1,694)</b>	<b>(33,731)</b>
Capital and 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)
<b>Total Other Nonoperating Revenues</b>	<b>5,447</b>	<b>3,010</b>	<b>34,241</b>
<b>Increase (Decrease) In Net Position</b>	<b>(2,319)</b>	<b>1,316</b>	<b>510</b>
<b>NET POSITION</b>			
Beginning Balance (Restated)	16,225	25,642	480,785
<b>Ending Balance</b>	<b>\$ 13,906</b>	<b>\$ 26,958</b>	<b>\$ 481,295</b>



| 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	\$ 344,314	\$ 28,684	\$ 105	\$ -	\$ 835,127
48,354	2,293	95,157	9,351	4,431	(4,708)	324,492
4,675	564	1,822	1,189	(324)	-	15,298
9,203	576	7,909	88	1,268	-	38,489
6,517	2,269	15,494	574	38,481	(38,372)	61,012
80,998	16,404	145,106	19,572	-	(41)	400,386
131	1,195	10,818	2,025	3,753	-	26,423
<b>324,224</b>	<b>49,543</b>	<b>620,620</b>	<b>61,483</b>	<b>47,714</b>	<b>(43,121)</b>	<b>1,701,227</b>
157,376	29,911	239,858	33,593	1,182	-	718,618
47,764	888	71,235	2,547	8	(4,191)	298,290
9,706	3,067	37,674	468	5,095	-	133,653
32,897	7,353	47,212	7,215	-	(15)	162,811
17,407	4,890	32,295	6,068	-	-	91,486
83,172	17,500	164,860	22,613	-	-	433,626
33,159	5,679	50,635	4,562	13,290	(26)	174,882
21,736	3,951	47,416	3,923	-	-	113,974
32,314	6,903	15,902	7,720	-	-	100,842
21,327	4,163	31,590	3,650	7,593	(517)	120,905
<b>456,858</b>	<b>84,305</b>	<b>738,677</b>	<b>92,359</b>	<b>27,168</b>	<b>(4,749)</b>	<b>2,349,087</b>
<b>(132,634)</b>	<b>(34,762)</b>	<b>(118,057)</b>	<b>(30,876)</b>	<b>20,546</b>	<b>(38,372)</b>	<b>(647,860)</b>
54,801	13,436	47,342	14,132	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
<b>88,748</b>	<b>25,019</b>	<b>120,108</b>	<b>26,068</b>	<b>(16,793)</b>	<b>38,372</b>	<b>552,036</b>
<b>(43,886)</b>	<b>(9,743)</b>	<b>2,051</b>	<b>(4,808)</b>	<b>3,753</b>	<b>-</b>	<b>(95,824)</b>
13,369	4,744	13,599	3,848	(6,717)	-	55,016
2,442	312	32,767	1,129	-	-	54,574
-	-	3	-	-	-	241
5,022	(227)	937	(462)	(3,561)	(72)	-
<b>20,833</b>	<b>4,829</b>	<b>47,306</b>	<b>4,515</b>	<b>(10,278)</b>	<b>(72)</b>	<b>109,831</b>
<b>(23,053)</b>	<b>(4,914)</b>	<b>49,357</b>	<b>(293)</b>	<b>(6,525)</b>	<b>(72)</b>	<b>14,007</b>
192,335	36,175	620,486	33,853	57,682	72	1,463,255
<b>\$ 169,282</b>	<b>\$ 31,261</b>	<b>\$ 669,843</b>	<b>\$ 33,560</b>	<b>\$ 51,157</b>	<b>\$ -</b>	<b>\$ 1,477,262</b>

| 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 14,934	\$ 20,836	\$ 233,930
Grants and Contracts	2,220	3,197	190,011
Educational Department Sales and Services	203	445	35,401
Auxiliary Enterprise Operations	7,055	7,042	122,451
Payments to Employees for Compensation and Benefits	(33,415)	(35,796)	(551,911)
Payments to Suppliers	(12,733)	(11,781)	(205,989)
Student Financial Aid	(5,306)	(4,686)	(39,792)
Other Operating Receipts	1,265	(774)	4,814
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(25,777)</b>	<b>(21,517)</b>	<b>(211,085)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Appropriations	12,723	15,958	148,445
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
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>24,795</b>	<b>34,793</b>	<b>246,237</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt Service Appropriations	4,254	2,669	19,250
Capital Grants and Gifts	34	786	15,104
Bond Proceeds from Capital Debt	27,687	24,756	68,668
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)	(45,222)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>8,400</b>	<b>(8,702)</b>	<b>(40,714)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Sales (Purchases) of Investments	(678)	(1,400)	(6,347)
Interest on Investments and Cash Balances	222	234	13,011
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(456)</b>	<b>(1,166)</b>	<b>6,664</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,962</b>	<b>3,408</b>	<b>1,102</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning Balance	7,440	6,032	133,758
<b>Ending Balance</b>	<b>\$ 14,402</b>	<b>\$ 9,440</b>	<b>\$ 134,860</b>

| 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
\$ 185,413	\$ 29,408	\$ 352,731	\$ 30,569	\$ 207	\$ -	\$ 868,028
66,252	3,301	91,467	10,566	5,494	(4,682)	367,826
6,517	2,269	15,494	574	38,481	(38,372)	61,012
85,905	16,625	138,729	19,581	-	(41)	397,347
(286,399)	(54,273)	(489,672)	(59,607)	(10,703)	-	(1,521,776)
(107,896)	(20,312)	(168,496)	(17,705)	5,165	4,723	(535,024)
(35,642)	(6,898)	(36,411)	(8,894)	(1,529)	-	(139,158)
(7,198)	1,644	12,850	1,951	(2,756)	-	11,796
<b>(93,048)</b>	<b>(28,236)</b>	<b>(83,308)</b>	<b>(22,965)</b>	<b>34,359</b>	<b>(38,372)</b>	<b>(489,949)</b>
54,099	13,167	46,761	13,659	15,194	-	320,006
51,441	11,396	31,758	15,511	-	-	169,963
-	-	3	-	-	-	241
2,015	2,902	58,077	368	7,607	-	118,073
(4,183)	(1,395)	(6,243)	(912)	9,066	-	(9,205)
8,674	5,520	(10,786)	(2,366)	(28,080)	-	-
<b>112,046</b>	<b>31,590</b>	<b>119,570</b>	<b>26,260</b>	<b>3,787</b>	<b>-</b>	<b>599,078</b>
13,369	4,744	13,599	3,848	(6,717)	-	55,016
1,893	-	13,639	1,039	-	-	32,495
36,292	31,699	48,929	15,056	197,497	-	450,584
1,388	243	927	225	-	-	3,156
(34,365)	(8,722)	(62,571)	(9,834)	(174)	-	(228,642)
(21,821)	(3,175)	(35,400)	(4,425)	(35,073)	38,372	(95,192)
(38,999)	(9,241)	(42,749)	(8,738)	(188,117)	-	(345,795)
<b>(42,243)</b>	<b>15,548</b>	<b>(63,626)</b>	<b>(2,829)</b>	<b>(32,584)</b>	<b>38,372</b>	<b>(128,378)</b>
(2,206)	(785)	7,607	(251)	920	-	(3,140)
1,890	322	15,190	474	1,086	-	32,429
<b>(316)</b>	<b>(463)</b>	<b>22,797</b>	<b>223</b>	<b>2,006</b>	<b>-</b>	<b>29,289</b>
<b>(23,561)</b>	<b>18,439</b>	<b>(4,567)</b>	<b>689</b>	<b>7,568</b>	<b>-</b>	<b>10,040</b>
90,787	9,459	134,978	16,751	134,604	-	<b>533,809</b>
\$ <b>67,226</b>	\$ <b>27,898</b>	\$ <b>130,411</b>	\$ <b>17,440</b>	\$ <b>142,172</b>	\$ <b>-</b>	\$ <b>543,849</b>

**Consolidating Statement of Cash Flows - Continued**

For the Year Ended June 30, 2013	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (28,520)	\$ (26,263)	\$ (258,922)
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	1,878	400	(2,590)
Notes Receivable	(5)	287	487
Inventories	(31)	11	63
Prepaid Expenses	13	(176)	(337)
Accounts Payable and Accrued Liabilities	(2,253)	(430)	578
Long-Term Liabilities	96	300	1,245
Unearned Revenue	(102)	579	1,330
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (25,778)</b>	<b>\$ (21,516)</b>	<b>\$ (211,085)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>			
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
\$ (132,633)	\$ (34,762)	\$ (118,058)	\$ (30,876)	\$ 20,546	\$ (38,372)	\$ (647,860)
26,197	3,892	47,064	5,375	274	-	136,785
11,929	4,349	(7,115)	2,311	(6,285)	-	4,877
522	(468)	(581)	(439)	-	-	(197)
(82)	46	(753)	(12)	-	-	(758)
1	26	1,966	128	(477)	(26)	1,118
2,347	(1,127)	(5,351)	583	20,160	-	14,507
(1,542)	(15)	1,071	79	144	-	1,378
213	(177)	(1,551)	(114)	(3)	26	201
<b>\$ (93,048)</b>	<b>\$ (28,236)</b>	<b>\$ (83,308)</b>	<b>\$ (22,965)</b>	<b>\$ 34,359</b>	<b>\$ (38,372)</b>	<b>\$ (489,949)</b>

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

| SUPPLEMENTARY SCHEDULES |  
(DOLLARS IN THOUSANDS)

**Consolidating Statement of Net Position**

As of June 30, 2012	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 2,341	\$ 2,192	\$ 52,511
Collateral from Securities Lending	787	1,257	18,131
Accounts Receivable, Net	5,865	3,096	76,502
Notes Receivable, Net	313	575	5,151
Inventories	568	92	1,956
Prepaid Expenses	24	1,946	3,976
<b>Total Current Assets</b>	<b>9,898</b>	<b>9,158</b>	<b>158,227</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents	5,099	3,840	81,247
Investments	5,121	6,353	119,654
Notes Receivable, Net	1,105	2,468	21,682
Due From Other OUS Funds and Entities	-	-	-
Capital Assets, Net of Accumulated Depreciation	64,842	72,571	765,716
<b>Total Noncurrent Assets</b>	<b>76,167</b>	<b>85,232</b>	<b>988,299</b>
<b>TOTAL ASSETS</b>	<b>\$ 86,065</b>	<b>\$ 94,390</b>	<b>\$ 1,146,526</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated Decrease in Fair Value of Derivatives	-	-	54
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 4,547	\$ 2,623	\$ 32,536
Deposits	1,028	937	9,462
Obligations Under Securities Lending	787	1,257	18,131
Current Portion of Long-Term Liabilities	1,311	1,518	26,693
Unearned Revenue	2,050	3,507	36,563
<b>Total Current Liabilities</b>	<b>9,723</b>	<b>9,842</b>	<b>123,385</b>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities	47,829	32,320	298,177
Due to Other OUS Funds and Entities	12,288	26,586	244,233
<b>Total Noncurrent Liabilities</b>	<b>60,117</b>	<b>58,906</b>	<b>542,410</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 69,840</b>	<b>\$ 68,748</b>	<b>\$ 665,795</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Accumulated Increase in Fair Value of Derivatives	-	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 9,417	\$ 18,097	\$ 311,660
Restricted For:			
Nonexpendable Endowments	555	-	3,373
Expendable:			
Gifts, Grants, and Contracts	840	264	30,148
Student Loans	1,700	3,501	34,062
Capital Projects	(138)	(1,441)	18,885
Debt Service	447	188	2,264
Unrestricted	3,404	5,033	80,393
<b>TOTAL NET POSITION</b>	<b>\$ 16,225</b>	<b>\$ 25,642</b>	<b>\$ 480,785</b>

| 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
\$ 31,327	\$ 4,361	\$ 82,027	\$ 9,142	\$ 41,700	\$ -	\$ 225,601
10,243	1,708	22,974	3,288	-	-	58,388
64,827	9,697	57,049	7,272	2,048	-	226,356
1,604	697	5,488	842	4,711	-	19,381
420	590	2,967	1,014	-	-	7,607
1,748	46	5,988	246	12,174	(473)	25,675
110,169	17,099	176,493	21,804	60,633	(473)	563,008
59,460	5,098	52,951	7,609	92,904	-	308,208
51,968	10,097	137,921	16,039	10,741	-	357,894
6,341	2,872	14,052	3,120	41,987	-	93,627
-	-	-	-	751,671	(751,671)	-
447,084	78,766	1,097,933	102,196	1,230	-	2,630,338
564,853	96,833	1,302,857	128,964	898,533	(751,671)	3,390,067
<b>\$ 675,022</b>	<b>\$ 113,932</b>	<b>\$ 1,479,350</b>	<b>\$ 150,768</b>	<b>\$ 959,166</b>	<b>\$ (752,144)</b>	<b>\$ 3,953,075</b>
-	-	95	-	-	-	149
\$ 23,435	\$ 4,293	\$ 36,483	\$ 4,745	\$ 32,728	\$ -	\$ 141,390
6,512	1,939	10,865	2,084	17,367	-	50,194
10,243	1,708	22,974	3,288	-	-	58,388
14,055	3,497	19,633	2,247	60,760	-	129,714
24,264	3,007	54,651	2,607	3	(473)	126,179
78,509	14,444	144,606	14,971	110,858	(473)	505,865
262,433	49,448	450,653	52,618	790,626	-	1,984,104
141,745	13,865	263,700	49,326	-	(751,743)	-
404,178	63,313	714,353	101,944	790,626	(751,743)	1,984,104
<b>\$ 482,687</b>	<b>\$ 77,757</b>	<b>\$ 858,959</b>	<b>\$ 116,915</b>	<b>\$ 901,484</b>	<b>\$ (752,216)</b>	<b>\$ 2,489,969</b>
-	-	-	-	-	-	-
\$ 107,633	\$ 18,413	\$ 448,227	\$ 8,350	\$ 5,938	\$ -	\$ 927,735
1,285	1,812	7,409	2	2,110	-	16,546
(1,151)	988	25,660	446	2,351	-	59,546
8,516	4,257	25,135	6,122	(18)	-	83,275
6,588	4,571	35,852	3,970	(6,288)	-	61,999
676	1,072	1,251	222	46,999	-	53,119
68,788	5,062	76,952	14,741	6,590	72	261,035
<b>\$ 192,335</b>	<b>\$ 36,175</b>	<b>\$ 620,486</b>	<b>\$ 33,853</b>	<b>\$ 57,682</b>	<b>\$ 72</b>	<b>\$ 1,463,255</b>

| SUPPLEMENTARY SCHEDULES |  
(DOLLARS IN THOUSANDS)

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

For The Year Ended June 30, 2012

	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 15,329	\$ 16,039	\$ 202,358
Federal Grants and Contracts	1,897	945	166,811
State and Local Grants and Contracts	1,174	(130)	7,167
Nongovernmental Grants and Contracts	82	475	19,708
Educational Department Sales and Services	203	447	31,770
Auxiliary Enterprises Revenues, Net	6,596	7,176	109,139
Other Operating Revenues	320	339	9,189
<b>Total Operating Revenues</b>	<b>25,601</b>	<b>25,291</b>	<b>546,142</b>
<b>OPERATING EXPENSES</b>			
Instruction	16,629	22,243	192,750
Research	330	623	172,976
Public Service	1,937	519	81,588
Academic Support	5,266	4,791	52,767
Student Services	2,352	2,775	24,119
Auxiliary Programs	8,530	8,310	119,013
Institutional Support	5,184	4,740	51,947
Operation and Maintenance of Plant	2,899	2,596	30,353
Student Aid	5,456	3,973	26,257
Other Operating Expenses	3,147	3,374	46,720
<b>Total Operating Expenses</b>	<b>51,730</b>	<b>53,944</b>	<b>798,490</b>
<b>Operating Income (Loss)</b>	<b>(26,129)</b>	<b>(28,653)</b>	<b>(252,348)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Appropriations	13,506	15,290	143,027
Grants	9,204	6,710	41,231
Investment Activity	97	103	7,603
Gain (Loss) on Sale of Assets, Net	-	11	92
Interest Expense	(3,018)	(3,027)	(26,743)
Other Nonoperating Items	12	1,520	41,741
<b>Net Nonoperating Revenues (Expenses)</b>	<b>19,801</b>	<b>20,607</b>	<b>206,951</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(6,328)</b>	<b>(8,046)</b>	<b>(45,397)</b>
Capital and Debt Service Appropriations	3,294	1,840	15,896
Capital Grants and Gifts	-	2,845	21,126
Changes to Permanent Endowments	-	-	140
Transfers within OUS	259	(365)	(5,856)
<b>Total Other Nonoperating Revenues</b>	<b>3,553</b>	<b>4,320</b>	<b>31,306</b>
<b>Increase (Decrease) In Net Position</b>	<b>(2,775)</b>	<b>(3,726)</b>	<b>(14,091)</b>
<b>NET POSITION</b>			
Beginning Balance (Restated)	19,000	29,368	494,876
<b>Ending Balance</b>	<b>\$ 16,225</b>	<b>\$ 25,642</b>	<b>\$ 480,785</b>



| 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
\$ 176,584	\$ 27,620	\$ 323,569	\$ 28,590	\$ -	\$ -	\$ 790,089
52,519	1,971	99,566	8,975	5,720	(6,220)	332,184
7,609	806	6,189	1,193	614	-	24,622
9,510	699	7,479	124	1,004	-	39,081
5,680	1,975	13,935	649	39,522	(39,474)	54,707
69,289	18,802	132,834	21,320	-	-	365,156
6,388	811	10,964	1,827	2,966	-	32,804
<b>327,579</b>	<b>52,684</b>	<b>594,536</b>	<b>62,678</b>	<b>49,826</b>	<b>(45,694)</b>	<b>1,638,643</b>
156,883	30,255	225,627	32,796	1,107	-	678,290
50,224	875	77,610	2,651	17	(5,999)	299,307
10,107	2,996	38,304	551	5,525	-	141,527
33,517	7,011	42,924	6,864	-	-	153,140
16,906	4,734	31,169	5,926	-	-	87,981
70,633	18,040	149,045	23,860	-	-	397,431
28,098	5,456	53,193	4,257	13,196	(27)	166,044
22,043	3,522	42,781	3,917	-	-	108,111
31,133	6,831	14,457	7,236	1	-	95,344
20,068	4,113	26,629	4,222	375	(221)	108,427
<b>439,612</b>	<b>83,833</b>	<b>701,739</b>	<b>92,280</b>	<b>20,221</b>	<b>(6,247)</b>	<b>2,235,602</b>
<b>(112,033)</b>	<b>(31,149)</b>	<b>(107,203)</b>	<b>(29,602)</b>	<b>29,605</b>	<b>(39,447)</b>	<b>(596,959)</b>
55,124	12,973	44,810	13,808	9,294	-	307,832
51,498	11,454	32,607	14,980	-	-	167,684
1,112	160	13,100	263	8,947	-	31,385
(311)	(1)	(122)	(130)	(877)	-	(1,338)
(20,892)	(3,171)	(32,254)	(4,560)	(35,811)	39,447	(90,029)
(2,563)	3,362	55,373	871	(3,922)	-	96,394
<b>83,968</b>	<b>24,777</b>	<b>113,514</b>	<b>25,232</b>	<b>(22,369)</b>	<b>39,447</b>	<b>511,928</b>
<b>(28,065)</b>	<b>(6,372)</b>	<b>6,311</b>	<b>(4,370)</b>	<b>7,236</b>	<b>-</b>	<b>(85,031)</b>
11,381	4,035	11,148	3,149	(1,627)	-	49,116
5,096	2,373	15,891	672	36	-	48,039
-	-	19	-	-	-	159
(7,838)	(1,166)	(4,718)	(605)	20,217	72	-
<b>8,639</b>	<b>5,242</b>	<b>22,340</b>	<b>3,216</b>	<b>18,626</b>	<b>72</b>	<b>97,314</b>
<b>(19,426)</b>	<b>(1,130)</b>	<b>28,651</b>	<b>(1,154)</b>	<b>25,862</b>	<b>72</b>	<b>12,283</b>
211,761	37,305	591,835	35,007	31,820	-	1,450,972
<b>\$ 192,335</b>	<b>\$ 36,175</b>	<b>\$ 620,486</b>	<b>\$ 33,853</b>	<b>\$ 57,682</b>	<b>\$ 72</b>	<b>\$ 1,463,255</b>

| SUPPLEMENTARY SCHEDULES |  
(DOLLARS IN THOUSANDS)

**Consolidating Statement of Cash Flows**

For the Year Ended June 30, 2012	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 15,201	\$ 15,804	\$ 212,592
Grants and Contracts	3,069	3,021	194,331
Educational Department Sales and Services	203	447	31,770
Auxiliary Enterprise Operations	6,521	7,031	108,796
Payments to Employees for Compensation and Benefits	(33,360)	(34,774)	(517,577)
Payments to Suppliers	(7,067)	(12,832)	(206,880)
Student Financial Aid	(5,755)	(4,166)	(37,357)
Other Operating Receipts	(37)	616	7,443
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(21,225)</b>	<b>(24,853)</b>	<b>(206,882)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Appropriations	13,073	15,130	140,943
Grants	9,204	6,710	41,231
Private Gifts Received for Endowment Purposes	-	-	140
Other Gifts and Private Contracts	12	1,520	41,741
Net Agency Fund Receipts (Payments)	387	650	4,735
Net Transfers from (to) Other Funds and OUS Universities	(604)	(1,070)	(8,189)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>22,072</b>	<b>22,940</b>	<b>220,601</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt Service Appropriations	3,294	1,840	15,896
Capital Grants and Gifts	-	2,703	18,272
Bond Proceeds from Capital Debt	18,403	3,382	70,903
Sales of Capital Assets	30	1,210	2,245
Purchases of Capital Assets	(9,959)	(6,932)	(99,684)
Interest Payments on Capital Debt	(3,018)	(3,027)	(27,123)
Principal Payments on Capital Debt	(19,478)	(3,277)	(66,102)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(10,728)</b>	<b>(4,101)</b>	<b>(85,593)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Sales (Purchases) of Investments	(2,880)	(6,107)	(87,715)
Interest on Investments and Cash Balances	138	111	8,770
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(2,742)</b>	<b>(5,996)</b>	<b>(78,945)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(12,623)</b>	<b>(12,010)</b>	<b>(150,819)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning Balance	20,063	18,042	284,577
<b>Ending Balance</b>	<b>\$ 7,440</b>	<b>\$ 6,032</b>	<b>\$ 133,758</b>

| 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
\$ 172,079	\$ 27,077	\$ 319,985	\$ 28,390	\$ -	\$ -	\$ 791,128
62,831	3,535	120,012	10,532	7,160	(6,193)	398,298
5,680	1,975	13,936	649	39,521	(39,474)	54,707
68,470	18,629	132,025	21,046	-	-	362,518
(278,403)	(54,251)	(467,101)	(57,661)	(9,674)	-	(1,452,801)
(97,601)	(16,331)	(177,638)	(23,288)	(14,042)	3,219	(552,460)
(33,975)	(6,903)	(34,232)	(8,562)	(1,538)	-	(132,488)
3,254	503	12,033	2,234	3,012	-	29,058
<b>(97,665)</b>	<b>(25,766)</b>	<b>(80,980)</b>	<b>(26,660)</b>	<b>24,439</b>	<b>(42,448)</b>	<b>(502,040)</b>
54,458	11,944	43,594	13,649	15,041	-	307,832
51,498	11,454	32,607	14,980	-	-	167,684
-	-	19	-	-	-	159
(2,563)	3,362	55,373	871	(3,922)	-	96,394
3,210	795	4,668	1,014	12,863	-	28,322
(11,033)	(1,527)	(13,845)	(713)	36,981	-	-
<b>95,570</b>	<b>26,028</b>	<b>122,416</b>	<b>29,801</b>	<b>60,963</b>	<b>-</b>	<b>600,391</b>
11,381	4,035	11,148	3,149	(1,627)	-	49,116
4,787	2,231	14,137	552	35	-	42,717
57,655	19,683	64,884	7,443	(112,928)	-	129,425
9,464	3	406	48	(7,483)	-	5,923
(27,499)	(6,748)	(131,354)	(7,109)	(15)	-	(289,300)
(20,936)	(3,171)	(34,993)	(4,560)	(34,982)	39,448	(92,362)
(56,653)	(20,372)	(62,419)	(8,116)	51,271	-	(185,146)
<b>(21,801)</b>	<b>(4,339)</b>	<b>(138,191)</b>	<b>(8,593)</b>	<b>(105,729)</b>	<b>39,448</b>	<b>(339,627)</b>
(49,723)	(7,296)	(111,449)	(15,975)	(51,986)	171,330	(161,801)
1,181	216	13,659	264	58,754	-	83,093
<b>(48,542)</b>	<b>(7,080)</b>	<b>(97,790)</b>	<b>(15,711)</b>	<b>6,768</b>	<b>171,330</b>	<b>(78,708)</b>
<b>(72,438)</b>	<b>(11,157)</b>	<b>(194,545)</b>	<b>(21,163)</b>	<b>(13,559)</b>	<b>168,330</b>	<b>(319,984)</b>
163,225	20,616	329,523	37,914	148,163	(168,330)	<b>853,793</b>
\$ <b>90,787</b>	\$ <b>9,459</b>	\$ <b>134,978</b>	\$ <b>16,751</b>	\$ <b>134,604</b>	\$ <b>-</b>	\$ <b>533,809</b>

**Consolidating Statement of Cash Flows - Continued**

For the Year Ended June 30, 2012	<b>Eastern Oregon University</b>	<b>Oregon Institute of Technology</b>	<b>Oregon State University</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>			
<b>BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (26,129)	\$ (28,653)	\$ (252,348)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by			
Operating Activities:			
Depreciation Expense	3,275	2,902	46,083
Changes in Assets and Liabilities:			
Accounts Receivable	(847)	120	8,126
Notes Receivable	63	(129)	1,084
Inventories	(39)	358	(453)
Prepaid Expenses	(18)	(1,754)	1,277
Accounts Payable and Accrued Liabilities	2,446	475	(11,338)
Long-Term Liabilities	(114)	191	1,107
Unearned Revenue	138	1,637	(420)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (21,225)</b>	<b>\$ (24,853)</b>	<b>\$ (206,882)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>			
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 15	\$ -	\$ -
Capital Assets Acquired by Gifts in Kind	-	143	2,855
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	(41)	(8)	(892)

| SUPPLEMENTARY SCHEDULES |  
(DOLLARS IN THOUSANDS)

Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
\$ (31,149)	\$ (107,203)	\$ (29,602)	\$ 29,605	\$ (39,447)	\$ (596,959)
4,054	40,953	4,783	269	-	124,963
(1,433)	(2,258)	(126)	(135)	-	(10,088)
231	1,305	248	-	-	3,325
70	(547)	31	-	-	(574)
(13)	(1,244)	(25)	573	(28)	(1,263)
2,083	(15,806)	(2,034)	(5,835)	(3,000)	(28,391)
153	(669)	14	(41)	-	3,037
238	4,489	51	3	27	3,910
<b>\$ (25,766)</b>	<b>\$ (80,980)</b>	<b>\$ (26,660)</b>	<b>\$ 24,439</b>	<b>\$ (42,448)</b>	<b>\$ (502,040)</b>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15
142	1,754	119	-	-	5,322
(56)	(808)	(2)	9,191	-	7,315

### Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
		Liability (AAL)- Entry Age (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$ -	\$ 81,908	\$ 81,908	0.0%	\$ 535,865	15.3%
6/30/2009	-	81,908	81,908	0.0%	535,865	15.3%
6/30/2010	-	41,250	41,250	0.0%	660,903	6.2%
6/30/2011	-	41,250	41,250	0.0%	660,903	6.2%
6/30/2012	-	42,593	42,593	0.0%	730,999	5.8%
6/30/2013	-	44,109	44,109	0.0%	817,315	5.4%

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

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

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

Back cover photo: OSU



Oregon University System  
[www.ous.edu](http://www.ous.edu); 541-737-3636

Office of the Chancellor  
Controller's Division

PO Box 488, Corvallis, OR 97339-0488

© 2013 Oregon University System