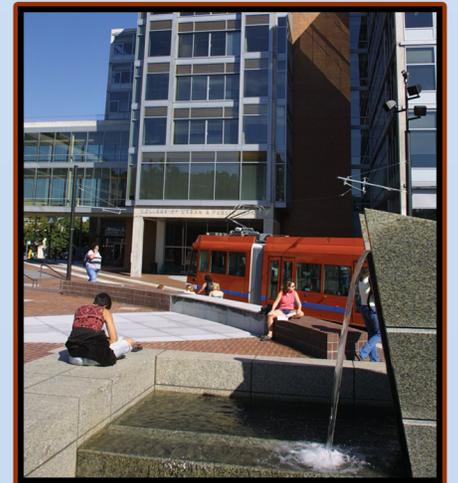


# 2009 ANNUAL FINANCIAL REPORT



OREGON UNIVERSITY SYSTEM

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



State Board of Higher Education, Executive Officers and University Presidents	1
Message from the Chancellor	2
Independent Auditor's Report	6
Management's Discussion and Analysis	8
Basic Financial Statements:	
Statement of Net Assets – University System	14
Statement of Financial Position – Component Units	15
Statement of Revenues, Expenses and Changes in Net Assets – University System	16
Statement of Activities – Component Units	17
Statement of Cash Flows – University System	18
Notes to the Financial Statements	20
Supplementary Schedules	44
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61

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

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

You may view this financial report at  
[http://www.ous.edu/cont-div/reports/annfinst\\_fy2009.php](http://www.ous.edu/cont-div/reports/annfinst_fy2009.php)

or

Visit the OUS home page at  
<http://www.ous.edu>

## System Universities

---

### Eastern Oregon University

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

### Oregon Institute of Technology

OIT, the Northwest's only polytechnic institution, was founded in 1947 and serves the state with programs in business, engineering and health technologies, and a cooperative program in nursing. OIT is located in Klamath Falls, Oregon.

### Oregon State University

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

### Portland State University

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

### Southern Oregon University

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

### University of Oregon

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

### Western Oregon University

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



## Oregon State Board of Higher Education

Paul J. Kelly, Jr.  
Board President, Portland, OR

James L. Francesconi  
Board Vice President, Portland, OR

Antone C. Van Vliet  
Board Vice President, Corvallis, OR

Matthew W. Donegan  
Portland, OR

Brian J. Fox  
Ashland, OR

Preston Pulliams  
Portland, OR

Hannah R. Fisher  
Portland, OR

Dalton Miller-Jones  
Portland, OR

Kirk E. Schueler  
Bend, OR

Allyn C. Ford  
Roseburg, OR

Rosemary Powers  
La Grande, OR

David V. Yaden  
Lake Oswego, OR

## Oregon University System Executive Officers

George P. Pernsteiner  
Chancellor

Jay D. Kenton  
Vice Chancellor for Finance and Administration

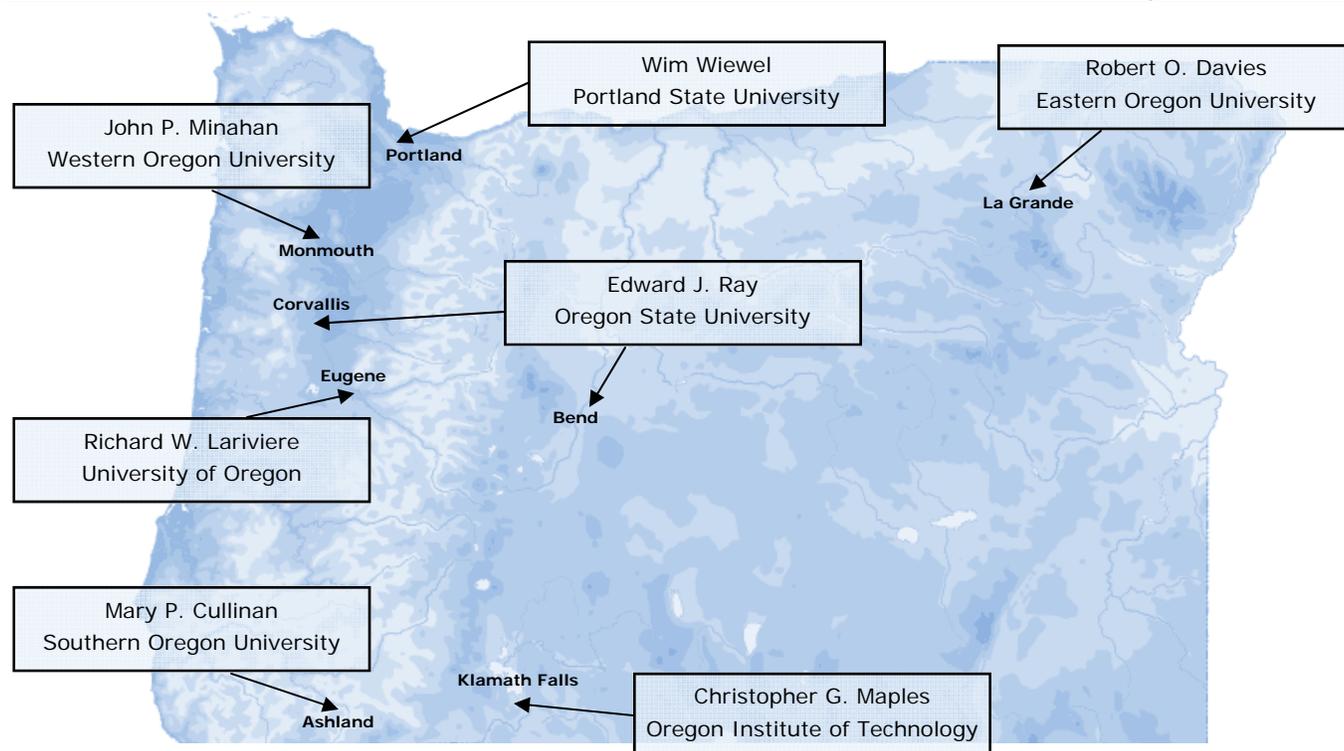
Michael J. Green  
Associate Vice Chancellor for Finance and  
Administration and Controller

Ryan J. Hagemann  
Legal Counsel and Board Secretary

Brian W. Meara  
Assistant Vice Chancellor for Budget  
Operations

Susan F. Weeks  
Vice Chancellor for Strategic Programs and Planning

## University Presidents



## Message from the Chancellor

During such a volatile economic period as Oregon and the U.S. have experienced over the past year, it is not surprising that the Oregon University System faced some of its toughest challenges to date in 2008-09. What is more surprising, though, is that the system also accomplished a number of major successes and milestones during one of the worst budget periods in our history.

### 2009 Legislative Session

Being a Legislative Session year, the OUS was busy collectively, and at the campus level, working with the Oregon Legislature to determine priorities, advocate for adequate operating and capital budgets, work to keep tuition increases down to the lowest possible levels given state funding cuts, and work with state and federal partners to seek and deploy stimulus funding as it became available. At the same time, the State Board of Higher Education worked through its various committees and working groups to develop legislative proposals; to pursue Board goals in the areas of access, affordability, quality, retention, graduation, and research; and examine new governance approaches within the OUS. While none of the Board's "Policy Option Packages" presented to the Legislature were able to be funded because of the state fiscal crisis, much was accomplished through the Board's focus on increasing educational attainment rates, helping underserved students attend and complete college, and ensuring statewide access to higher education from Oregon's most rural areas to its growing metropolitan centers.

While early indicators showed potential 2009-2011 funding cuts of more than 20%, the OUS saw an operating budget decrease of about 9% after use of stimulus funds. This kept tuition increases down to an average of 5% for OUS's "small" campuses (Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University), and an average of 8% for OUS's "big" campuses (Oregon State University, Portland State University, and University of Oregon), while also restoring some funding to OSU's Statewide Public Services. While these increases moved beyond the Board's 4-year policy of aligning tuition increases with Median Family Income increases, campuses committed to using 30% of the revenues from higher tuition to fund need-based aid for students, thus minimizing the impact of tuition increases for Oregon's most at-risk students and families.

### Enrollment and Student Success

Reaching an all time record enrollment of 86,546 students in fall 2008 – an increase of 5.2% over fall 2007 – campuses worked diligently to serve a growing population of diverse students through high quality instruction, support and specialized services. Enrollment increases are expected in fall 2009, with student demand in Oregon remaining strong. The Board is targeting many of its resources, determining the best ways to increase the number of underserved students in the state who go on to college after graduating from high school. In Oregon, "underserved" include students from rural areas, who are first-generation in their family to attend college, those from low- and low/moderate income backgrounds, students of color, disabled students, and others who need support to access higher education, stay in college, and be successful to graduation.

### Stimulating the Oregon Economy

As the Oregon economy continued to worsen in 2009, the Governor and Legislature designated state stimulus funding to the OUS for capital repair and deferred maintenance projects that both made progress on needed facilities repairs, and created and retained jobs in Oregon. The almost \$88 million in state stimulus dollars funded more than 90 projects at all seven OUS institutions, as well as many projects within the OSU Statewide Public Services, including the Agricultural Experiment Stations in counties across Oregon, and at the Hatfield Marine Science Center. In 2008-09, OUS received about \$56 million in federal stimulus funds which replaced state budget losses. In 2009-11, OUS will receive such funds again as well as stimulus money through grants for which campus faculty and researchers are applying, from agencies such as the National Science Foundation, the National Institute of Health, and the U.S. Geological Survey.

Counter to the state of the economy over the last year, the OUS research universities continued to see increases in grants and contracts, setting new records and extending the innovative work of our faculty in new and unique ways. Also counter to the economy, some institutions saw increases in alumni, community, and other donations, reflecting the importance that Orego-



**George Pernsteiner**

nians place on our universities as centers of knowledge and as economic drivers for the state.

### Looking Ahead

Over the next year, OUS will continue to focus on Board priorities such as: increasing educational attainment rates for Oregonians; improving retention and graduation rates for our students; seeking, managing and transparently reporting on state and federal stimulus funding received for a variety of projects; continuing to strengthen partnerships with community colleges in order to better serve student needs across the state, particularly in rural areas; and examining ways to meet the challenges of reduced state funding, now a long-term trend that will not likely change in Oregon in the foreseeable future, including consideration of governance changes for our universities.

In Oregon, we are fortunate in many ways. We have thousands of committed faculty, staff, students and community members who work hard every day to ensure the strength and integrity of our state higher education system. Thus, we remain optimistic, and continue to look for the sometimes hidden opportunities that arise in the worst of times, and which will ultimately lead us to the best of times.



**Chancellor, Oregon University System**

**October 2009**

## Top Campus Accomplishments 2008-09

### Eastern Oregon University

- The State Board of Higher Education selected Dr. Bob Davies as EOU's new President. Davies was formerly the Vice President for University Relations and the Executive Director of the Foundation for Indiana University of Pennsylvania.
- The EOU Foundation received an anonymous gift of \$1.5 million, the largest single private donation in EOU history, which will provide scholarships and unrestricted funds for Foundation-supported programs.
- EOU was one of nine institutions nationwide selected by the Association of American Colleges and Universities (AAC&U) to develop systemic processes for mapping high impact practices onto institutional learning outcomes and for making excellence available to underserved students through the "Give Students a Compass" project.
- Retention of first-year students at EOU increased from 54 percent to 72 percent by focusing on student success.
- The National Association of Intercollegiate Athletics recognized EOU as a *Champions of Character* institution

based on its demonstration of the five core values: respect; integrity; responsibility; servant leadership; and sportsmanship.



### Oregon Institute of Technology

- The State Board of Higher Education appointed Dr. Christopher G. Maples, former Desert Research Institute Vice President, as the new President of Oregon Institute of Technology.
- In response to high unemployment in Oregon, OIT offered a one-time program of waived tuition for the spring term 2009 at the Klamath Falls campus for unemployed Oregonians, into which 16 students enrolled.
- OIT signed new articulation agreements with several community colleges, allowing students to experience a seamless pathway from an associate degree to a baccalaureate program. New articulation agreements are in place with several community colleges: Blue Mountain, Central Oregon, Chemeketa, Clackamas, College of the Redwoods, College of the Siskiyou, Edmonds, Klamath, Lane, Linn-Benton, Mt. Hood, Portland, Rogue, Shasta College, Southwest Oregon, Tillamook Bay and Umpqua.
- A geothermal well was drilled to a depth of more than one mile, providing a resource for the campus to develop a large combined heating and power plant for OIT's Klamath Falls campus.
- The U.S. Department of Education awarded a \$285,000 grant to OIT for its Health Informatics Simulation Laboratory (SIM Lab), located in Beaverton at the West OIT campus. Access to the lab is virtual and available from almost any computer with an Internet connection, making it accessible to OIT students from all campus sites, as well as other OIT partners.



### Oregon State University

- The National Oceanic and Atmospheric Administration announced that it would move its Pacific fleet from

## Message from the Chancellor—Continued

Seattle to Newport to be adjacent to OSU's Hatfield Marine Science Center and its 300 scientists and support staff from OSU, state and federal agencies. OSU is also a leader in a \$386 million national Ocean Observatories Initiative, led by faculty member Tim Cowles of the College of Oceanic and Atmospheric Sciences, which includes a network off Oregon, and was selected to host the Northwest National Marine Renewable Energy Center.

- With a record \$252 million in research grants and contracts, OSU continues to grow its research enterprise with direct benefits to the Oregon economy. This annual figure has grown to almost \$100 million in the last six years. OSU also spun off new companies and recorded its highest revenues ever from technology transfer.

- When OSU professor Jane Lubchenco became the head of the National Oceanic and Atmospheric Administration, she led a cast of OSU scientists who play leadership roles in national agencies from the National Science Foundation to NASA. Others include Tim Cowles, program director for the national Ocean Observatories Initiative, Mark Abbott, member of the National Science Board, and Mike Freilich, division head for NASA.

- Despite the economic downturn, alumni and friends of OSU contributed \$82 million to the campaign, achieving OSU's second best-ever year in fundraising. The campaign has passed the \$531 million mark on its way toward a \$625 million goal, and is prepared to launch the centerpiece of the campaign, the \$62.5 million Linus Pauling Science Center.

- OSU became the first university in the United States to partner with INTO University Partnerships, a company that helps students in Asia, Africa and other parts of the world to fulfill their college aspirations. INTO already has brought more than 250 new international students to OSU, which is working to double international enrollment.



### Portland State University

- Dr. Wim Wiewel became the 8th president of Portland State University.

- Portland State had its 13th year of enrollment growth, with fall 2008 reaching a record 26,587 students, and continues to be selected by more students than any other university in Oregon.

- Research expenditures increased from \$40 million to \$52 million, a 30% increase.

- Portland State University was selected to receive a \$25 million challenge grant from the James F. and Marion L. Miller Foundation in support of sustainability

leadership, research, and education. This is the largest single gift to the University and, the largest known gift devoted to sustainability.

- For the seventh year in a row, Portland State has been singled out in the *U.S. News and World Report's* 2010 edition of *America's Best Colleges* for its commitment to engagement through its service and learning programs.



### Southern Oregon University

- SOU students reported higher than average engagement compared with students at peer institutions in 4 of 5 benchmark measures in the 2008 National Survey of Student Engagement (NSSE), with scores increasing for the fourth consecutive year. When compared with other master's level comprehensive universities, SOU seniors said they are more likely to experience a high level of academic challenge, student-faculty interaction and enriching educational experiences.

- The Environmental Protection Agency named SOU to the top 20 of all colleges and universities for use of alternative energy. SOU is the first university in Oregon (and one of the first in the U.S.) to offset 100 percent of its energy consumption—both electricity and natural gas—with clean, renewable power. The EPA recognized SOU as one of the Top 20 largest purchasers among higher education institutions within the Green Power Partnership for 2008–2009.

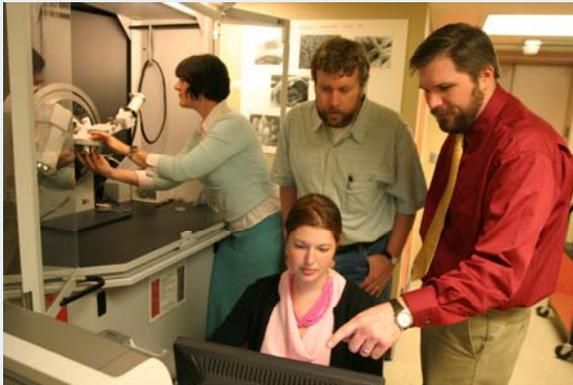
- SOU launched a distance education program for deployed soldiers beginning fall 2009. Class study is not offered online, but course materials for the self-paced program include workbooks, comprehensive textbooks and CDs with multimedia and digital materials. SOU is the only OUS campus to offer this type of lower-division program to deployed soldiers.

- SOU was one of 20 U.S. colleges and universities to receive a \$250,000 federal grant to improve emergency management, which will be used for training, coordination of planning and communication, collaboration with other emergency agencies, and preparing SOU for a possible infectious disease outbreak such as pandemic influenza. The U.S. Department of Education awarded a \$285,000 Congressionally-directed grant to SOU for infrastructure and equipment acquisition. Funding was used to install a 55-kilowatt solar photovoltaic system on the roof of the RCC/SOU Higher Education Center (HEC) in Medford, completing the application for the HEC to obtain LEED Platinum certification.

- Osher Lifelong Learning Institute (OLLI) at SOU was

## Message from the Chancellor—Continued

the recipient of a \$1 million endowment gift from the Bernard Osher Foundation, the largest cash gift the SOU Foundation has ever received, and will be used to support the continued operations of SOU's OLLI program.



### University of Oregon

- The State Board of Higher Education selected Dr. Richard Lariviere as the 16th President of the University of Oregon.
- Despite beginning and ending during serious economic recessions, the University of Oregon's Campaign Oregon: Transforming Lives, the most ambitious fundraising campaign in state history, raised more than \$853 million for scholarships, faculty, programs and facilities.
- UO neuroscientist Scott H. Frey received world-wide attention for his research finding involving a transplanted hand-to-brain mapping 35 years after loss of limb.
- The UO Center for Intercultural Dialogue hosted the first meeting on U.S. soil for the United Nations Educational, Scientific and Cultural Organization (UNESCO) Chairs from the Intercultural Dialogue Program, with 17 of the 19 distinguished Chair holders, including UO's faculty member Steven Shankman, from around the world.
- UO completed several new facilities on campus including new and expanded music and education buildings, and a renovated theater complex. The university also broke ground on a once-in-a-century basketball arena, which provides valuable economic development to the local area, and a collections vault at the Museum of Natural and Cultural History that serves as the state's transportation archeological repository.



### Western Oregon University

- Music professor Kevin Walczyk was awarded the Certificate of Merit for Outstanding Advising from the National Academic Advising Association. Last year, three other WOU faculty and staff received advising awards from NACADA, demonstrating WOU's strength in academic advising as it is rare to have so many NACADA winners.
- Professor of special education Mickey Pardew was appointed to the Oregon Commission on Autism Spectrum Disorder by Governor Kulongoski. The 13-person commission is tasked with improving services to those individuals and families experiencing Autism Spectrum Disorder in Oregon.
- Two WOU students, Kata Cervantes and Orlando Lopez, were selected as representatives to the 2009 National M.E.Ch.A. Coordinating Council for the Aztlán del Noroeste. This demonstrates WOU's strong M.E.Ch.A. chapter as it is unusual for two students to be selected from the same university.
- Sorenson Communications, the nation's leading provider of Video Relay Services for deaf and hard-of-hearing individuals who use American Sign Language, named WOU's ASL/English interpreting program as the recipient of the Sorenson VRS Interpreter Education Program Award. The award included \$10,000 for the program and \$6,500 in other awards.
- The College of Education, Teaching Research Institute, and the Division of Extended Programs was awarded \$106,350 by the Oregon Department of Education to develop a Talented and Gifted Regional Planning Center. The Teaching Research Institute was awarded a five-year (\$122,000 per year) grant from the U.S. Department of Education's Office of Special Education Programs to provide technical assistance and support to Oregon's young children and students with deaf-blindness, their families and the service providers who serve them.



## INDEPENDENT AUDITOR'S REPORT

Oregon State Board of Higher Education  
Eugene, Oregon

Oregon Secretary of State Audits Division  
Salem, Oregon

We have audited the accompanying basic financial statements of Oregon University System (System) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These basic financial statements are the responsibility of Oregon University System's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of 6 of the 8 discretely presented component units which represents 8% of the total net assets and 13% of the total revenues of the System's discretely presented component units as described in Note 18 for the year ended June 30, 2009. We also did not audit 5 of the 8 discretely presented component units which represent 7% of total net assets and 9% of total revenues of the System's discretely presented component units as described in Note 18 for the year ended June 30, 2008. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in those component units, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon University System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Oregon University System and its discretely presented component units as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2009, on our consideration of Oregon University System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon  
November 11, 2009

# Management's Discussion and Analysis

For the Year Ended June 30, 2009

## 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, 2009, 2008 and 2007. OUS comprises the following four-year public universities:

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

### Annual Full Time Equivalent Student Enrollment Summary

University	2009	2008	2007	2006	2005
EOU	2,550	2,435	2,460	2,609	2,558
OIT	2,490	2,350	2,319	2,377	2,486
OSU	19,536	18,963	18,875	18,821	18,749
PSU	20,764	19,213	18,927	18,719	18,204
SOU	4,373	4,213	4,174	4,249	4,418
UO	21,679	20,361	20,421	20,695	20,862
WOU	4,571	4,384	4,152	4,202	4,277
Total System	75,963	71,919	71,328	71,672	71,554

In addition to the information in this MD&A, OUS has eight supporting foundations, which are included as discretely presented component units in the OUS financial statements and in Notes 2 and 18 to the financial statements.

## 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 five components.

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

**Statement of Net Assets (SNA)** presents a snapshot of OUS assets and liabilities under the accrual basis of account-

ing at a point in time (June 30, 2009 and 2008). The SNA helps the reader understand the assets available to support operations, how much OUS owes to vendors and bond holders; and a picture of net assets and their availability for future expenditures.

**Statement of Revenues, Expenses, and Changes in Net Assets (SRE)** presents the results of OUS revenue and expense activity categorized as operating, nonoperating and other related activities. The SRE reports the OUS operating results for a period of time (the fiscal years ended June 30, 2009 and 2008).

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

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

The MD&A provides an objective analysis of OUS's financial activities based on currently known facts, decisions, and conditions. The analysis is for OUS as a whole and is not broken out by individual university. The MD&A discusses the current year results in comparison to the prior year. To see discussions relating to the prior year, refer to last year's annual financial report on the OUS website: [http://www.ous.edu/cont-div/reports/annfinst\\_fy2008.php](http://www.ous.edu/cont-div/reports/annfinst_fy2008.php). The fiscal year 2009 presentation has resulted in reclassifications to the fiscal year 2008 and 2007 financial statements. The reclassifications did not materially affect the analysis provided in the prior year's MD&A. Unless otherwise stated, all years refer to the fiscal year ended June 30.

## Statement of Net Assets

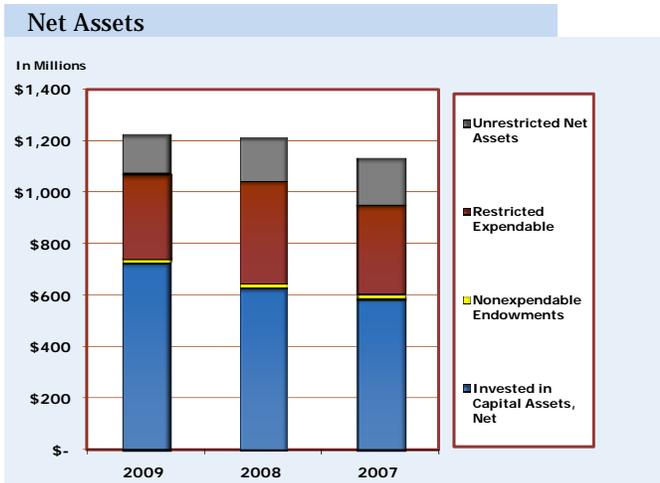
The term "Net Assets" refers to the difference between total assets and total liabilities, and is an indicator of OUS's current financial condition. Changes in net assets that occur over time indicate improvement or deterioration in OUS's financial condition. The following summarizes OUS assets, liabilities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

## Condensed Statement of Net Assets

As of June 30,	2009	2008	2007
	(In millions)		
Current Assets	\$ 949	\$ 998	\$ 773
Noncurrent Assets	698	639	474
Capital Assets, Net	1,765	1,549	1,421
<b>Total Assets</b>	<b>\$ 3,412</b>	<b>\$ 3,186</b>	<b>\$ 2,668</b>
Current Liabilities	\$ 760	\$ 731	\$ 521
Noncurrent Liabilities	1,427	1,239	1,011
<b>Total Liabilities</b>	<b>\$ 2,187</b>	<b>\$ 1,970</b>	<b>\$ 1,532</b>
Invested in Capital Assets, Net of Related Debt	\$ 729	\$ 632	\$ 592
Restricted - Nonexpendable	16	17	17
Restricted - Expendable	327	397	345
Unrestricted	153	170	182
<b>Total Net Assets</b>	<b>\$ 1,225</b>	<b>\$ 1,216</b>	<b>\$ 1,136</b>

## Total Net Assets

OUS's overall financial position did not materially change in 2009. Changes to Total Assets and Total Liabilities were offsetting, leaving Total Net Assets with a modest increase of \$9 million during 2009 compared to an \$80 million increase in 2008. As illustrated by the following graph, the make-up of net assets changed between 2009, 2008 and 2007.



- **Net Assets Invested in Capital Assets, Net of Related Debt** increased \$97 million. Capital assets increases of \$288 million were offset by a \$118 million increase to long-term debt attributable to the capital assets, and a \$73 million increase to accumulated depreciation.
- **Restricted Expendable Net Assets** decreased \$70 million. Year-end receivable accruals for unreimbursed expenditures incurred on behalf of funding agencies increased by \$2 million but the year-end balance of en-

dowment income still to be distributed decreased by \$15 million. In addition, the net assets of funds reserved for capital construction projects decreased by \$50 million due to the use of the funds for capital construction expenditures in 2009. Other differences were attributable to changes in net assets restricted for student loans and debt service.

- **Unrestricted Net Assets** decreased \$17 million. Operating revenue for unrestricted purposes was \$17 million less than the corresponding expenses, resulting in the use of unrestricted fund balance reserves.

## Total Assets and Liabilities

Total Assets increased \$226 million, or 7%, and Total Liabilities increased \$217 million, or 11% during the year ended 2009. OUS receives temporary cash collateral from investment firms who borrow OUS securities. Absent the securities lending balances, total Assets increased by \$265 million or 10% and Total Liabilities increased by \$256 million or 16%. The remaining analysis is absent securities lending variances.

- **Current Assets** decreased \$9 million, or 2% with increased accounts receivable offsetting decreased cash and cash equivalents. See "Note 3. Accounts Receivable" for additional information relating to this variance.
- **Noncurrent Assets** increased \$59 million, or 9%. Year-end cash balances in capital construction funds increased by \$73 million. The increase to non-current assets was reduced by a \$14 million or 18% decrease in the value of investments.
- **Capital Assets, Net** increased \$216 million, or 14%. Capitalized acquisitions included \$29 million in personal property and \$259 million in real property. Accumulated depreciation increased by \$73 million. See "Capital Assets" in this MD&A for additional information relating to this variance.
- **Current Liabilities** increased \$69 million, or 22%. Year-end accounts payable for unpaid capital construction invoices increased by \$35 million. The current portion of long-term debt increased by \$12 million. Deferred revenue increased by \$20 million primarily relating to grant and contract activities.
- **Noncurrent Liabilities** increased \$188 million, or 15%, mainly due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

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

# Management's Discussion and Analysis

For the Year Ended June 30, 2009

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

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

The following summarizes the revenue and expense activity of OUS:

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

For the Year Ended June 30,	2009	2008	2007
	(In millions)		
Operating Revenues	\$1,369	\$1,252	\$1,192
Operating Expenses	1,916	1,757	1,655
Operating Loss	(547)	(505)	(463)
Nonoperating Revenues, Net of Expenses	443	490	460
Other Revenues	113	95	60
Increase In Net Assets	9	80	57
Net Assets, Beginning of Year	1,216	1,136	1,079
Net Assets, End of Year	\$1,225	\$1,216	\$1,136

Net Assets increased by \$9 million in 2009 compared to \$80 million in 2008.

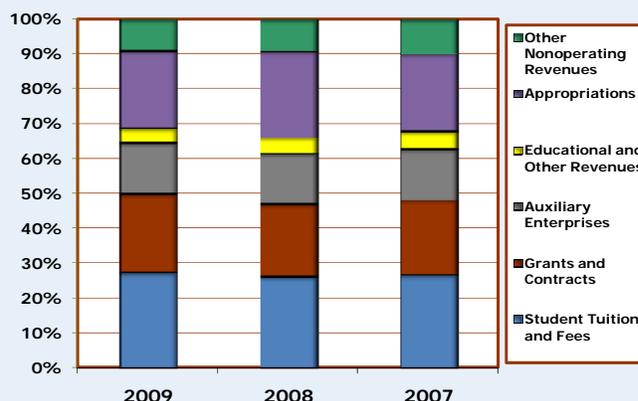
## Revenues

Revenues increased \$99 million, or 5%, in 2009 compared to the prior year.

### Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2009	2008	2007
	(In millions)		
Student Tuition and Fees	\$ 542	\$ 496	\$ 470
Grants and Contracts	455	394	378
Auxiliary Enterprises	289	271	254
Educational and Other	83	91	90
Total Operating Revenues	1,369	1,252	1,192
Appropriations	440	465	392
Investment Activity	5	17	36
Capital Grants and Gifts	76	55	40
Other Nonoperating Items	100	102	98
Total Nonoperating Revenues	621	639	566
Total Revenues	\$ 1,990	\$1,891	\$1,758

### Total Operating and Nonoperating Revenues



## Operating Revenues

Operating revenues increased \$117 million in 2009, or 9% over 2008, to \$1.4 billion. This variance is primarily due to increases in Student Tuition and Fees, Grants and Contracts and Auxiliary Enterprises Revenues.

**Student Tuition and Fees** increased \$46 million, or 9%, in 2009 compared to 2008.

- Higher tuition and fee rates accounted for \$34 million of the increase.
- Increased enrollment added \$33 million to tuition and fees.
- Increased fee remissions and scholarship allowances reduced Tuition and Fees by \$21 million.

**Federal, State and Nongovernmental Grants and Contracts** increased \$61 million, or 15%, in 2009 compared to 2008.

- Federal grants and contract revenue were higher during 2009 when compared to the prior year by \$26 million relating to increased research and development grants and contracts and Pell grants.
- State and Local grants and contracts revenue increased \$19 million mainly relating to additional Oregon Opportunity Grant funding.
- Nongovernmental grants increased \$15 million relating to new and existing grants, and additional scholarship funding.

**Auxiliary Enterprises** revenues increased \$18 million, or 7%, compared to the prior year.

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

# Management's Discussion and Analysis

For the Year Ended June 30, 2009

- Housing and Dining revenues increased by \$3 million in 2009 related mainly to higher rates and student occupancy.

**Educational and Other Revenues** decreased \$8 million, or 9%, between the two fiscal periods.

- Educational services revenue decreased \$7 million due to an aggregation of miscellaneous decreases.

## Nonoperating Revenues

The decrease in Nonoperating Revenues of \$18 million during 2009 can be directly tied to the decreases in Government and Capital Appropriations and Investment Activities. This was partially offset by an increase to Capital Grants and Gifts.

**Government and Capital Appropriations** decreased \$25 million, or 5%.

- State appropriations for OUS operations were reduced by \$83 million or 21%. The reduction was partially offset by \$56 million in federal stimulus funds through the American Recovery and Reinvestment Act (ARRA) that was used to help fund faculty instruction.

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

**Investment Activity** decreased \$12 million, or 70% in 2009.

- Interest income declined \$6 million during 2009 compared to 2008.
- Market value declines of \$14 million in 2009 were \$6 million greater compared to 2008.

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

**Capital Grants and Gifts** increased \$21 million in 2009 relating to the timing of fundraising for construction projects.

**Other Nonoperating Items** decreased \$2 million in 2009.

- Gain on Sale of Assets, Net increased \$1 million relating to the sale of property in 2009.
- Gifts decreased \$3 million mainly relating to scholarships.

## Expenses

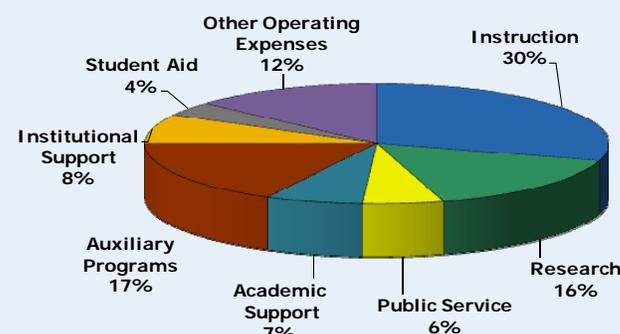
### Operating Expenses

Operating expenses increased \$159 million in 2009, or 9%, over 2008, to \$1.9 billion. This change is due to increases in all expense categories. The following summarizes operating expenses by functional classification:

### Operating Expenses by Function

For the Year Ended June 30,	2009	2008	2007
	(In millions)		
Instruction	\$ 568	\$ 530	\$ 505
Auxiliary Programs	330	307	284
Research	301	264	260
Institutional Support	152	133	123
Academic Support	130	119	107
Public Service	108	104	102
Student Aid	73	61	55
Other Operating Expenses	254	239	219
<b>Total Operating Expenses</b>	<b>\$ 1,916</b>	<b>\$ 1,757</b>	<b>\$ 1,655</b>

### 2009 Operating Expenses by Function

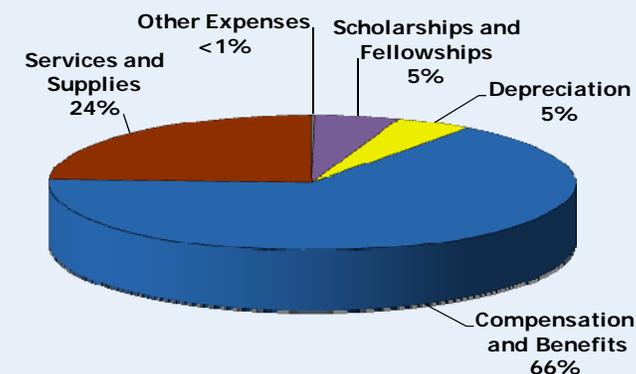


The following summarizes operating expenses by natural classification:

### Operating Expenses by Nature

For the Year Ended June 30,	2009	2008	2007
	(In millions)		
Compensation and Benefits	\$ 1,256	\$ 1,148	\$ 1,087
Services and Supplies	465	422	390
Scholarships and Fellowships	100	86	79
Depreciation	91	92	90
Other Expenses	4	9	9
<b>Total Operating Expenses</b>	<b>\$ 1,916</b>	<b>\$ 1,757</b>	<b>\$ 1,655</b>

### 2009 Operating Expenses by Nature



# Management's Discussion and Analysis

For the Year Ended June 30, 2009

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

**Compensation and Benefits** costs increased \$108 million, or 9%, in 2009 compared to 2008.

- The number of full time equivalent employees increased during 2009 causing approximately \$62 million of the increase.
- Approximately \$25 million of the increase was attributable to wage increases.
- Benefit costs increased approximately \$22 million. Health insurance costs increased 10% and retirement costs were slightly higher than the prior year.

**Services and Supplies** expense increased \$43 million, or 10%, during 2009.

- Services and supplies, fees and services, rents and leases, communications, maintenance and repairs, subgrants and subcontracts, and assessments, all increased during 2009.

**Scholarships and Fellowships** costs increased \$14 million, or 16%, when comparing 2009 and 2008.

**Depreciation** expense of \$91 million during 2009 was comparable to 2008.

## Nonoperating Expenses

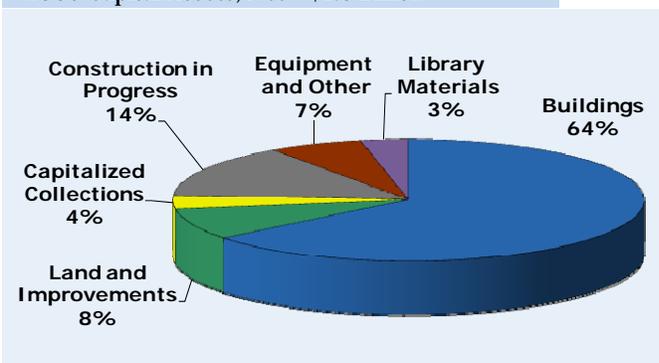
**Interest Expense** increased by \$12 million, or 22%, due to new debt issuances. See "Capital Assets and Related Financing Activities," below, and "Note 8. Long-term Liabilities" for information relating to this variance.

## Capital Assets and Related Financing Activities

### Capital Assets

At June 30, 2009, OUS had \$3.1 billion in capital assets, less accumulated depreciation of \$1.3 billion, for net capital assets of \$1.8 billion. OUS is committed to a comprehensive program of capital initiatives combined with a comprehensive approach to facility maintenance which includes addressing current maintenance needs and minimizing OUS's deferred maintenance backlog. State, Federal, private, borrowed, and internal OUS funding combine to accomplish OUS's capital objectives.

2009 Capital Assets, Net - \$1.8 Billion



Changes to Capital Assets

	2009	2008	2007
	(In millions)		
Capital Assets, Beginning of Year	\$ 2,757	\$ 2,558	\$ 2,446
Add: Purchases/Construction	306	228	136
Less: Retirements/Disposals	(18)	(29)	(24)
<b>Total Capital Assets, EOY</b>	<b>3,045</b>	2,757	2,558
Accum. Depreciation, Beginning of Year	(1,208)	(1,137)	(1,064)
Add: Depreciation Expense	(91)	(92)	(90)
Less: Retirements/Disposals	18	21	17
<b>Total Accum. Depreciation, EOY</b>	<b>(1,281)</b>	(1,208)	(1,137)
<b>Total Capital Assets, Net, EOY</b>	<b>\$ 1,764</b>	\$ 1,549	\$ 1,421

Capital additions totaled \$306 million for 2009, \$228 million for 2008 and \$136 million for 2007.

Accumulated depreciation at June 30, 2009 increased \$73 million, which represented \$91 million in depreciation expense offset by \$18 million in asset retirements. Depreciation expense was \$92 million during 2008 compared to \$90 million during 2007.

### Capital Commitments

OUS has outstanding capital commitments on partially completed construction projects authorized by the Oregon State Legislature of \$447 million as of June 30, 2009. See "Note

17. Commitments and Contingent Liabilities" to the financial statements for additional information relating to capital construction commitments.

## Debt Administration

During 2009, 2008 and 2007, OUS issued bonds totaling \$243 million, \$294 million and \$124 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets. Fiscal year 2009 saw many large individual construction projects funded. The introduction of "Go Oregon!", a program initiated by the State of Oregon to combat unemployment, jump started many "shovel ready" projects. The UO Arena Project debt totaling \$200 million was issued at the end of fiscal year 2008. Construction on this project began in fiscal year 2009. During 2009 and 2007, capital expenditures exceeded debt proceeds as debt proceeds were used from prior fiscal years, as well as gifts and other funding sources, to pay for construction.

drastically reduce its support to the students attending state universities. The Federal government stepped in to replace some of the lost State funding, backfilling a portion of the shortfall through the American Recovery and Reinvestment Act (ARRA). These subsidies will continue through fiscal year 2011. The remaining shortfall was covered by institutional reserves, which cannot be sustained in the long-term.

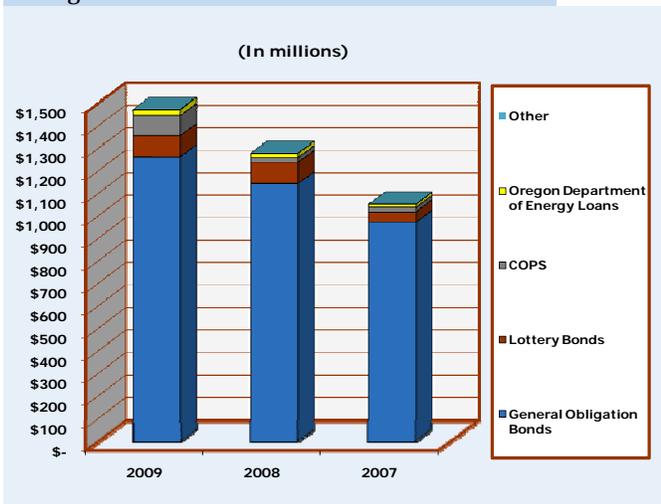
The Oregon Legislature established limits on tuition and fee increases, further limiting the ability to offset the state funding declines relative to operating cost increases. With lower state support, limits on tuition and fees, and increasing enrollment growth, all of our institutions, and particularly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

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

OUS continues to seek legislative approval to retain the interest earned on all of its cash balances. Currently, interest for 38% of OUS invested cash is retained by the State General Fund. Retaining investment earnings is an important economic factor in OUS's ability to retain and build its service level to students and reduce future tuition increases.

OUS continues to be challenged by insufficient state support but the Board and management are committed to ensuring the long-term health of OUS and supporting the core mission of access, affordability, excellence and economic development.

### Long-term Debt



## Economic Outlook

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

State funding levels continue to challenge the institutional mission of OUS. Though funding progress was made during the early part of the fiscal 2007-2009 biennium, revenue declines brought on by the recession caused the State to

## Statement of Net Assets

As of June 30,	University System	
	2009	2008
	(In thousands)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 334,192	\$ 355,334
Collateral from Securities Lending (Note 2)	375,509	414,901
Accounts Receivable, Net (Note 3)	187,358	178,321
Accounts Receivable from Component Units (Note 3)	14,388	11,946
Notes Receivable, Net (Note 4)	12,348	13,820
Inventories	6,796	6,686
Prepaid Expenses	18,550	16,581
<b>Total Current Assets</b>	<b>949,141</b>	<b>997,589</b>
<b>Noncurrent Assets</b>		
Cash and Cash Equivalents (Note 2)	539,846	460,614
Long-Term Investments (Note 2)	67,305	81,729
Notes Receivable, Net (Note 4)	91,154	97,378
Capital Assets, Net of Accumulated Depreciation (Note 5)	1,764,436	1,548,794
<b>Total Noncurrent Assets</b>	<b>2,462,741</b>	<b>2,188,515</b>
<b>Total Assets</b>	<b>\$ 3,411,882</b>	<b>\$ 3,186,104</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 149,974	\$ 119,152
Deposits	18,637	13,146
Obligations Under Securities Lending (Note 2)	375,509	414,901
Current Portion of Long-Term Liabilities (Note 8)	100,884	88,758
Deferred Revenue	115,021	94,699
<b>Total Current Liabilities</b>	<b>760,025</b>	<b>730,656</b>
<b>Noncurrent Liabilities</b>		
Long-Term Liabilities (Note 8)	1,426,532	1,239,174
<b>Total Noncurrent Liabilities</b>	<b>1,426,532</b>	<b>1,239,174</b>
<b>Total Liabilities</b>	<b>\$ 2,186,557</b>	<b>\$ 1,969,830</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 729,382	\$ 631,626
Restricted For:		
Nonexpendable Endowments	16,287	17,333
Expendable:		
Gifts, Grants and Contracts	90,019	103,297
Student Loans	85,616	86,987
Capital Projects	71,999	124,268
Debt Service	79,407	82,314
Unrestricted Net Assets (Note 9)	152,615	170,449
<b>Total Net Assets</b>	<b>\$ 1,225,325</b>	<b>\$ 1,216,274</b>

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

## Statement of Financial Position

As of June 30,	Component Units	
	2009	2008
	(In thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 58,336	\$ 37,996
Contributions, Pledges and Grants Receivable, Net	237,068	252,710
Investments (Note 2)	924,588	1,181,254
Prepaid or Deferred Expenses, and Other Assets	37,451	34,171
Property and Equipment, Net	50,005	48,447
<b>Total Assets</b>	<b>\$ 1,307,448</b>	<b>\$ 1,554,578</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 11,321	\$ 7,212
Accounts Payable to Universities	7,350	11,579
Obligations to Beneficiaries of Split-Interest Agreements	63,940	77,238
Deposits and Deferred Revenue	10,889	13,759
Long-Term Liabilities	60,399	60,260
<b>Total Liabilities</b>	<b>\$ 153,899</b>	<b>\$ 170,048</b>
<b>NET ASSETS</b>		
Unrestricted (Deficit)	\$ (24,033)	\$ 60,775
Temporarily Restricted	544,844	703,591
Permanently Restricted	632,738	620,164
<b>Total Net Assets</b>	<b>\$ 1,153,549</b>	<b>\$ 1,384,530</b>

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

For the Years Ended June 30,	University System	
	2009	2008
	(In thousands)	
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Scholarship Allowances of \$104,396 and \$83,395, respectively)	\$ 542,276	\$ 496,012
Federal Grants and Contracts	349,068	322,808
State and Local Grants and Contracts	53,404	34,475
Nongovernmental Grants and Contracts	51,976	37,180
Educational Department Sales and Services	59,789	66,440
Auxiliary Enterprises Revenues (Net of Scholarship Allowances of \$11,806 and \$9,447, respectively)	289,230	270,668
Other Operating Revenues	22,938	24,109
<b>Total Operating Revenues</b>	<b>1,368,681</b>	<b>1,251,692</b>
<b>OPERATING EXPENSES</b>		
Instruction	567,543	530,029
Research	301,131	263,781
Public Service	108,113	103,581
Academic Support	130,395	118,843
Student Services	73,214	65,570
Auxiliary Programs	329,919	307,355
Operation and Maintenance of Plant	84,153	79,971
Institutional Support	151,865	133,270
Student Aid	72,857	60,589
Other Operating Expenses	96,745	94,279
<b>Total Operating Expenses (Note 11)</b>	<b>1,915,935</b>	<b>1,757,268</b>
<b>Operating Loss</b>	<b>(547,254)</b>	<b>(505,576)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Government Appropriations (Note 12)	402,667	424,119
Investment Activity (Note 10)	5,331	16,980
Gain on Sale of Assets, Net	2,968	1,562
Interest Expense	(64,508)	(52,927)
Other Nonoperating Items	96,667	100,141
<b>Net Nonoperating Revenues</b>	<b>443,125</b>	<b>489,875</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(104,129)</b>	<b>(15,701)</b>
Capital and Debt Service Appropriations (Note 12)	37,473	41,062
Capital Grants and Gifts	75,707	55,107
<b>Total Other Nonoperating Revenues</b>	<b>113,180</b>	<b>96,169</b>
<b>Increase In Net Assets</b>	<b>9,051</b>	<b>80,468</b>
<b>NET ASSETS</b>		
Beginning Balance	1,216,274	1,135,806
<b>Ending Balance</b>	<b>\$ 1,225,325</b>	<b>\$ 1,216,274</b>

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

## Statement of Activities

For The Years Ended June 30,	Component Units	
	2009	2008
	(In thousands)	
<b>REVENUES</b>		
Grants, Bequests and Gifts	\$ 160,710	\$ 354,406
Interest and Dividends	10,696	9,467
Investment Income (Loss), Net	(181,296)	(19,533)
Change in Value of Life Income Agreements	(19,865)	(5,700)
Other Revenues	17,937	22,897
<b>Total Revenues</b>	<b>(11,818)</b>	<b>361,537</b>
<b>EXPENSES</b>		
General and Administrative	24,679	29,506
Development Expenses	5,573	6,170
University Support	178,917	157,653
Other Expenses	9,994	15,195
<b>Total Expenses</b>	<b>219,163</b>	<b>208,524</b>
<b>Increase (Decrease) In Net Assets Before Capital Contributions</b>	<b>(230,981)</b>	<b>153,013</b>
Capital Contributions to Real Estate Operations	-	566
<b>Increase (Decrease) In Net Assets</b>	<b>(230,981)</b>	<b>153,579</b>
<b>NET ASSETS, BEGINNING BALANCE</b>	<b>1,384,530</b>	<b>1,230,951</b>
<b>NET ASSETS, ENDING BALANCE</b>	<b>\$ 1,153,549</b>	<b>\$ 1,384,530</b>

## Statement of Cash Flows

For the Years Ended June 30,	University System	
	2009	2008
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 551,802	\$ 486,792
Grants and Contracts	450,251	394,089
Educational Department Sales and Services	59,765	66,282
Auxiliary Enterprises Operations	290,988	272,661
Student Loan Collections	13,105	12,787
Payments to Employees for Compensation and Benefits	(1,247,799)	(1,138,163)
Payments to Suppliers	(438,608)	(430,733)
Student Financial Aid	(99,939)	(86,388)
Student Loan Issuance and Costs	(9,697)	(23,901)
Other Operating Receipts	16,220	12,610
<b>Net Cash Used by Operating Activities</b>	<b>(413,912)</b>	<b>(433,964)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Government Appropriations	403,641	424,414
Other Gifts and Private Contracts	97,599	98,298
Net Agency Fund Receipts (Payments)	4,910	(3,460)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>506,150</b>	<b>519,252</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Appropriations	11,718	16,610
Debt Service Appropriations	26,829	21,095
Capital Grants and Gifts	72,187	48,714
Bond Proceeds on Capital Debt	243,010	294,053
Sales of Capital Assets	21,126	33,376
Purchases of Capital Assets	(302,530)	(215,701)
Interest Payments on Capital Debt	(69,272)	(52,502)
Principal Payments on Capital Debt	(56,921)	(72,984)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(53,853)</b>	<b>72,661</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Sales (Purchases) of Investments	174	10,506
Interest on Investments and Cash Balances	19,531	25,569
Interest Income from Securities Lending	1,173	6,195
Interest Expense from Securities Lending	(1,173)	(6,195)
<b>Net Cash Provided by Investing Activities</b>	<b>19,705</b>	<b>36,075</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>58,090</b>	<b>194,024</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING BALANCE</b>	<b>815,948</b>	<b>621,924</b>
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>\$ 874,038</b>	<b>\$ 815,948</b>

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

For the Years Ended June 30,	University System	
	2009	2008
	(In thousands)	
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (547,254)	\$ (505,576)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	90,938	91,724
Changes in Assets and Liabilities:		
Accounts Receivable	(26,191)	(37,307)
Notes Receivable	10,845	915
Inventories	(79)	(92)
Prepaid Expenses	(1,446)	(5,045)
Accounts Payable and Accrued Liabilities	31,768	4,907
Long-Term Liabilities	7,105	4,108
Deposits	33	9
Deferred Revenue	20,369	12,393
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (413,912)</b>	<b>\$ (433,964)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>		
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 290	\$ 78
Capital Assets Acquired by Gifts in Kind	3,380	7,165
Decrease in Fair Value of Investments Recognized as a Component of Investment Activity	(14,251)	(8,514)

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

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

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

### B. Financial Statement Presentation

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

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

counting Standards Board. (FASB).

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

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

OUS implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the year ended June 30, 2008. GASB 45 generally requires that OUS account for and report the cost and obligations related to postemployment healthcare and other nonpension benefits (OPEB) and include disclosures regarding its OPEB plans. See "Note 14. Other Postemployment Benefits" for information about OUS OPEB.

OUS implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB 48 defines reporting requirements when governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. OUS has not sold or pledged receivables or future revenues and has no reporting requirements in this fiscal year.

OUS implemented GASB Statement No. 50, *Pension Disclosures— an amendment of GASB Statements No. 25 and No. 27*. GASB 50 more closely aligns the financial reporting requirements for pensions with those for OPEB. See "Note 13. Employee Retirement Plans" for referral to the Oregon Public Employees Retirement System report for information relating to GASB 50.

*New Accounting Standards* – In June 2007, GASB issued Statement No. 51, *Accounting and Reporting for Intangible*

*Assets.* GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of GASB 51 are effective for the fiscal year ending June 30, 2010. OUS is not anticipating that the adoption of GASB 51 will have a material impact on its financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. These requirements are effective for the fiscal year ending June 30, 2010. OUS is not anticipating that the adoption of GASB 53 will have a material impact on its financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. These requirements are effective for the fiscal year ending June 30, 2011. OUS is not anticipating that the adoption of GASB 54 will impact its financial statements.

In preparing the financial statements, significant interfund transactions and balances between universities have been eliminated. The fiscal year 2008 financial statements reflect certain reclassifications to conform to the fiscal year 2009 presentation.

### **C. Basis of Accounting**

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

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

### **D. Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. Cash and cash equivalents include: Cash on hand; cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for

the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

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

### **E. Investments**

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

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

### **F. Inventories**

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

### **G. Capital Assets**

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

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

### **H. Deferred Revenues**

Deferred revenues include amounts received for tuition and fees, and auxiliary enterprises activities that relate to the subsequent fiscal year.

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

## I. Compensated Absences

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

## J. Net Assets

OUS net assets are classified as follows:

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

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

### Restricted net assets – nonexpendable

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

### Restricted net assets – expendable

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

### Unrestricted net assets

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

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

## K. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives OUS the authority to use the interest, income, dividends, or profits of endowments. Current Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for

distribution during fiscal year 2010 is estimated to be \$2,649,000. For the years ended June 30, 2009 and 2008, the net amount of appreciation available for authorization for expenditure was \$10,039,000 and \$17,653,000, respectively.

Nonexpendable Endowments on the Statement of Net Assets of \$16,287,000 and \$17,333,000 at June 30, 2009 and 2008, respectively, represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

## L. Income Taxes

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

## M. Revenues and Expenses

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

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

Nonoperating revenues have the characteristics of nonexchange transactions. Examples of nonoperating revenues include state appropriations, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

## N. Scholarship Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the 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 waivers, provided directly by OUS, amounted to \$46,890,000 and \$39,306,000 for the fiscal years ended 2009 and 2008, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and State Need Grants) used for paying student tuition and fees and campus housing were estimated to be \$69,312,000 and \$53,536,000 for the fiscal years ended 2009 and 2008, respectively.

## O. Student Loan Programs

OUS universities receive proceeds from the Federal Direct Student Loan Program and the Federal Family Education Loan Program. Since OUS transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the grant is reported in an agency fund. Federal student loans received by OUS students but not reported in operations were \$433,655,000 and \$368,605,000 for the fiscal years ended 2009 and 2008, respectively.

## P. Use of Estimates

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

# 2. Cash and Investments

## A. Cash and Cash Equivalents

### Deposits with State Treasury

OUS maintains the majority of its cash balances on deposit with the Oregon State Treasury (State Treasury). The State Treasury maintains these and other state funds on a pooled basis, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state agencies. At the fiscal years ended June 30, 2009 and 2008, OUS carrying amounts of cash and cash equivalents were \$871,386,000

and \$812,643,000, respectively, while the State Treasury balances were \$885,185,000 and \$832,338,000, respectively. Differences between the OUS carrying amount and the State Treasury balance occur due to timing differences.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St NE Suite 100, Salem, OR 97310-0840 or by linking to [http://www.ost.state.or.us/1.about/annual\\_reports/index.htm](http://www.ost.state.or.us/1.about/annual_reports/index.htm).

### Custodial Credit Risk—Deposits

OUS cash balances exceed the limits of Federal deposit insurance. Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to OUS.

To reduce custodial credit risk, the State Treasury requires financial institutions holding public funds to participate in a state-wide collateral pool. For funds not covered by Federal deposit insurance, the manager of the state-wide collateral pool issues certificates of participation (COPs) to the State Treasury. The financial institution holding those public funds is required to pledge securities with a value of at least 25% of the COPs to a separate custodian for the benefit of the State of Oregon. The manager of the state-wide collateral pool ensures that the value of the securities pledged is at least 25% of the COPs.

Since OUS cash balances on deposit with the State Treasury are combined with funds from other State agencies, additional information on the State Treasury custodial credit risk exposure applicable to OUS is not available.

### Foreign Currency Risk—Deposits

Deposits in foreign currency run the risk of losing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk. In the course of providing students and faculty opportunities for international studies and research abroad, foreign bank accounts have been established in several countries. The aggregate account balances converted into U.S. dollars equaled \$80,000 at June 30, 2009.

### Other Deposits

OUS cash and cash equivalents held by a fiscal agent outside the State Treasury comprised \$2,195,000 and \$2,905,000 at June 30, 2009 and 2008, respectively. The fiscal agent is the custodian for distributing the OUS bond principal and interest repayments to bondholders. The cash balance with the fiscal agent is subject to Federal deposit insurance for

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

the first \$250,000 for each bondholder. At June 30, 2009, no bondholders had balances exceeding \$250,000.

For the years ended June 30, 2009 and 2008, OUS had petty cash balances of \$457,000 and \$396,000, respectively. Additionally, OUS has small amounts of cash invested with a fiscal agent relating to debt issuances.

## Other Cash Activities

OUS participates in a limited amount of forward contracts relating to international currency purchases. The contracts are used to limit the exposure to currency fluctuations during the school year and establish a fixed cost to the students who participate in international studies abroad. The unused portions of the forward currency contracts totaled \$3,653,000 and, in aggregate, were in a favorable position at June 30, 2009.

## 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, 2009 (dollars in thousands):

University System	Fair Value	Concentration of Credit Risk
Investment Type:		
Money Market Funds	\$ 1,033	2%
US Government Bonds	63	-
Mutual Funds - Domestic Fixed Income	13,959	20%
Guaranteed Investment Contracts	8,901	13%
US Agency Securities	5,831	9%
Fixed Income Investments	29,787	
Mutual Funds - Domestic Equity Securities	10,781	16%
Mutual Funds - International Equity	20,779	30%
Equity Investments	31,560	
Alternative Equities	4,837	7%
Real Estate	2,154	3%
Other Investments	6,991	
Total All Investments	68,338	100%
Less Amounts Recorded As Cash	(1,033)	
Total Investments	\$ 67,305	

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 will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets.

In 2009, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit markets. Consequently, the fair value of OUS's investments is exposed to higher than typical price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2009.

OUS monitors endowment investments to identify any accounts for which historical value is more than estimated fair value. As of June 30, 2009, nine individual named permanent endowment funds had estimated fair values that, in total, were \$889,000 less than their permanently restricted or historical value. This was the result of net declines in financial markets since these funds were established. Associated unrealized losses are recorded in the Unrestricted Net Assets caption on the Statement of Net Assets.

Of the total investments, \$52 million are in pooled endowment investments, \$2 million are separately invested endowments, and \$14 million are investments of unspent bond proceeds. OUS has an endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

Investments of the OUS discretely presented component units are summarized at June 30, 2009 as follows (in thousands):

Component Units	Fair Value
Investment Type:	
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 453,471
Investment in Common Stock, Voting Trust and Partnerships	372,044
US Treasury Notes and Government Obligations	28,736
Money Market Funds and Certificates of Deposit	49,883
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	6,144
Land and Buildings	9,298
Remainder Trusts, Unitrusts and Gift Annuities	2,754
Alternative Investments	2,054
Cash Value of Life Insurance Policies	204
Total Investments	\$ 924,588

## Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS investment policy pertaining to credit risk requires fixed income securities to have an average credit quality of A or better and limits below investment grade bonds to no more than 15% of the bond portfolio. At

# Notes to the Financial Statements

## For the Years Ended June 30, 2009 and 2008

June 30, 2009, OUS fixed income investments (in thousands) had the following credit quality ratings:

Investment Type:	Total	Money Market Funds	Mutual Funds- Domestic Fixed Income	Guaranteed Investment Contracts	Other
AAA	\$ 5,831				\$ 5,831
AA	13,959		\$ 13,959		
Aaa	63				63
Unrated	9,934	\$ 1,033		\$ 8,901	
Fair Value	\$ 29,787	\$ 1,033	\$ 13,959	\$ 8,901	\$ 5,894

### Custodial Credit Risk—Investments

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

### Concentration of Credit Risk

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that, with exception of US 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 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 issue or security, unless part of an index fund. No investments representing five percent or more of total investments were held at June 30, 2009.

### 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 does not have a specific policy pertaining to interest rate risk other than to limit fixed income investments of endowments to 25% - 35% of total investments. OUS has the following investments in corporate bonds and fixed income mutual funds at June 30, 2009 (in thousands):

Investment Type:	Total	Money Market Funds	Mutual Funds- Domestic Fixed Income	Guaranteed Investment Contracts	Other
Investment Maturities (in years):					
Less than 1	\$ 12,921	\$ 1,033		\$ 6,057	\$ 5,831
1 to 5	16,803		\$ 13,959	2,844	
6 to 10	63				63
Fair Value	\$ 29,787	\$ 1,033	\$ 13,959	\$ 8,901	\$ 5,894

### Foreign Currency Risk

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. OUS does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, OUS has \$21 million in mutual funds that are primarily invested in international equities at June 30, 2009.

## 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 Oregon Short-Term Fund (OSTF) are shown on the following tables (in thousands) and illustrate that the State Treasury had no credit risk exposure to borrowers related to securities on loan:

	June 30, 2009	June 30, 2008
OUS Securities on loan:		
Fair Value	\$ 1,723	\$ 757
Cash Collateral held by OUS:		
Fair Value	1,800	798
Reported Value	1,831	803
Securities on loan by OSTF:		
Fair Value	366,029	405,970
Cash Collateral held by OSTF:		
Fair Value	370,498	411,639
Reported Value	373,678	414,098

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

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

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, 2009, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name. The TCDs, comprising approximately one percent of

total OSTF investments, are exposed to custodial credit risk. The TCDs are collateralized by securities pledged by the bank equal to 25% of the COPs provided by the bank.

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

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

## 3. Accounts Receivable

Accounts Receivable comprised the following (in thousands):

	June 30, 2009	June 30, 2008
Student Tuition and Fees	\$ 92,812	\$ 90,944
Auxiliary Enterprises and Other		
Operating Activities	17,771	17,684
Federal Grants and Contracts	38,714	30,640
State, Other Government, and Private		
Gifts and Contracts	41,118	33,616
Component Units	14,388	11,946
Other	9,585	17,014
	<b>214,388</b>	201,844
Less: Allowance for Doubtful Accounts	<b>(12,642)</b>	(11,577)
Accounts Receivable, Net	<b>\$ 201,746</b>	\$190,267

## 4. Notes Receivable

Notes Receivable comprised the following (in thousands):

	June 30, 2009		
	Current	Noncurrent	Total
Institutional and Other Student Loans	\$ 1,625	\$ 4,778	\$ 6,403
Federal Student Loans	14,589	65,377	79,966
Amounts Due from OHSU for Bond			
Indebtedness (See Note 8.G.)	3,103	24,285	27,388
	<b>19,317</b>	<b>94,440</b>	<b>113,757</b>
Less: Allowance for Doubtful			
Accounts	<b>(6,969)</b>	<b>(3,286)</b>	<b>(10,255)</b>
Notes Receivable, Net	<b>\$ 12,348</b>	<b>\$ 91,154</b>	<b>\$ 103,502</b>
	June 30, 2008		
	Current	Noncurrent	Total
Institutional and Other Student Loans	\$ 1,553	\$ 8,439	\$ 9,992
Federal Student Loans	14,270	64,801	79,071
Amounts Due from OHSU for Bond			
Indebtedness (See Note 8.G.)	4,215	27,393	31,608
	20,038	100,633	120,671
Less: Allowance for Doubtful			
Accounts	<b>(6,218)</b>	<b>(3,255)</b>	<b>(9,473)</b>
Notes Receivable, Net	<b>\$ 13,820</b>	<b>\$ 97,378</b>	<b>\$ 111,198</b>

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2009 and 2008. The program is funded through annual capital contributions from the federal government, an OUS match, interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

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

## 5. Capital Assets

The following schedules reflect the changes in capital assets (in thousands):

	Balance July 1, 2007	Additions	Retirements and Adjustments	Balance June 30, 2008	Additions	Retirements and Adjustments	Balance June 30, 2009
<b>Capital Assets, Non-depreciable:</b>							
Land	\$ 84,408	\$ 5,398	\$ 11,212 A	\$ 101,018	\$ 5,679		\$ 106,697
Capitalized Collections	59,151	2,113	(37)	61,227	784		62,011
Construction in Progress	94,883	175,502	(105,765)	164,620	256,996	\$ (171,024)	250,592
<b>Total Capital Assets, Non-depreciable</b>	<b>238,442</b>	<b>183,013</b>	<b>(94,590)</b>	<b>326,865</b>	<b>263,459</b>	<b>(171,024)</b>	<b>419,300</b>
<b>Capital Assets, Depreciable</b>							
Equipment	268,563	35,022	(16,814)	286,771	33,886	(14,550)	306,107
Library Materials	301,787	11,137	(984)	311,940	9,026	(515)	320,451
Buildings	1,654,362	97,478	(22,922) A	1,728,918	142,102	(2,417)	1,868,603
Land Improvements	24,191	979	35	25,205	19,288		44,493
Improvements Other Than Buildings	17,093	4,080	(19)	21,154	3,041		24,195
Infrastructure	53,577	2,332	(351)	55,558	6,319	(141)	61,736
<b>Total Capital Assets, Depreciable</b>	<b>2,319,573</b>	<b>151,028</b>	<b>(41,055)</b>	<b>2,429,546</b>	<b>213,662</b>	<b>(17,623)</b>	<b>2,625,585</b>
<b>Less Accumulated Depreciation for:</b>							
Equipment	(194,460)	(21,069)	15,392	(200,137)	(23,439)	11,707	(211,869)
Library Materials	(237,676)	(13,261)	589	(250,348)	(12,845)	458	(262,735)
Buildings	(643,199)	(52,580)	4,794	(690,985)	(48,895)	5,974	(733,906)
Land Improvements	(13,575)	(1,110)	(21)	(14,706)	(1,776)	1	(16,481)
Improvements Other than Buildings	(10,170)	(1,627)	(31)	(11,828)	(1,737)	(8)	(13,573)
Infrastructure	(37,767)	(2,077)	231	(39,613)	(2,246)	(26)	(41,885)
<b>Total Accumulated Depreciation</b>	<b>(1,136,847)</b>	<b>(91,724)</b>	<b>20,954</b>	<b>(1,207,617)</b>	<b>(90,938)</b>	<b>18,106</b>	<b>(1,280,449)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,421,168</b>	<b>\$ 242,317</b>	<b>\$ (114,691)</b>	<b>\$ 1,548,794</b>	<b>\$ 386,183</b>	<b>\$ (170,541)</b>	<b>\$ 1,764,436</b>
<b>Capital Assets Summary</b>							
Capital assets, nondepreciable	\$ 238,442	\$ 183,013	\$ (94,590)	\$ 326,865	\$ 263,459	\$ (171,024)	\$ 419,300
Capital assets, depreciable	2,319,573	151,028	(41,055)	2,429,546	213,662	(17,623)	2,625,585
Total cost of capital assets	2,558,015	334,041	(135,645)	2,756,411	477,121	(188,647)	3,044,885
Less accumulated depreciation	(1,136,847)	(91,724)	20,954	(1,207,617)	(90,938)	18,106	(1,280,449)
<b>Total Capital Assets, Net</b>	<b>\$ 1,421,168</b>	<b>\$ 242,317</b>	<b>\$ (114,691)</b>	<b>\$ 1,548,794</b>	<b>\$ 386,183</b>	<b>\$ (170,541)</b>	<b>\$ 1,764,436</b>

A— An asset valued at \$12,658,000 was reclassified in fiscal year 2008 from Buildings to Land.

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

## 6. Accounts Payable and Accrued Liabilities

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

	June 30, 2009	June 30, 2008
Services and Supplies	\$ 97,268	\$ 74,933
Accrued Interest	23,128	15,739
Salaries and Wages	14,950	14,903
Payroll Related Expenses	4,472	4,958
Contract Retainage Payable	7,959	5,660
Matured Bonds, COPs and Interest Payable	2,195	2,905
Financial Aid	2	54
	<u>\$ 149,974</u>	<u>\$ 119,152</u>

## 7. Operating Lease Receivables and Payables

### A. Receivables

OUS receives income for land, property and equipment that is leased to non-State entities. Rental income received from leases was \$7,180,000 and \$7,154,000 for the years ended June 30, 2009 and 2008, respectively. The original cost of assets leased, net of depreciation, was \$20,483,000 and \$16,291,000 for the years ended June 30, 2009 and 2008, respectively. Minimum future lease revenue for non-cancelable operating leases at June 30, 2009 were (in thousands):

For the year ending June 30,	
2010	\$ 6,035
2011	5,162
2012	4,921
2013	4,415
2014	3,210
2015-2019	13,508
2020-2024	13,086
2025-2029	13,121
2030-2034	11,855
2035-2039	9,522
2040-2044	1,007
2045-2049	633
2050-2054	49
Total Minimum Operating Lease Revenue	<u>\$ 86,524</u>

### B. Payables

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$12,017,000 and \$9,112,000 for the years ended June 30, 2009 and 2008, respectively. Minimum future lease payments on operating leases at June 30, 2009 were (in thousands):

For the year ending June 30,	
2010	\$ 10,547
2011	8,948
2012	7,940
2013	6,600
2014	5,210
2015-2019	20,874
2020-2024	21,081
2025-2029	5,177
2030-2034	39
2035-2039	39
2040-2044	39
2045-2049	39
2050-2054	39
Total Minimum Operating Lease Payments	<u>\$ 86,572</u>

## 8. Long-Term Liabilities

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

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

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
<b>Long-Term Debt</b>					
General Obligation Bonds XI-F(1)	\$ 732,269	\$ 227,176	\$ (61,153)	\$ 898,292	\$ 31,031
General Obligation Bonds XI-G	241,918	19,627	(15,028)	246,517	8,738
Oregon Department of Energy Loans (SELP)	13,864	6,526	(1,696)	18,694	1,532
Certificates of Participation (COPs)	20,300	5,606	(3,812)	22,094	3,041
Lottery Bonds	46,198	50,846	(2,697)	94,347	3,109
Capital Leases	233	17	(137)	113	101
Arbitrage	972	303	(138)	1,137	
Other Notes Payable	27			27	6
<b>Total Long-Term Debt</b>	<b>1,055,781</b>	<b>310,101</b>	<b>(84,661)</b>	<b>1,281,221</b>	<b>47,558</b>
<b>Other Noncurrent Liabilities</b>					
Compensated Absences	40,172	41,864	(41,018)	41,018	41,018
Other Postemployment Benefits		5,150		5,150	
Early Retirement Liability	570	135	(162)	543	182
<b>Total Other Noncurrent Liabilities</b>	<b>40,742</b>	<b>47,149</b>	<b>(41,180)</b>	<b>46,711</b>	<b>41,200</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 1,096,523</b>	<b>\$ 357,250</b>	<b>\$ (125,841)</b>	<b>\$ 1,327,932</b>	<b>\$ 88,758</b>

# Notes to the Financial Statements

## For the Years Ended June 30, 2009 and 2008

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

For the Year Ending June 30,	General Obligation Bonds				Lottery Bonds	Capital Leases	Other Borrowings	Total Payments	Principal	Interest
	XI-F(1)	XI-G	SELP	COPs						
2010	\$ 76,045	\$ 22,028	\$ 3,154	\$ 11,278	\$ 6,948	\$ 71	\$ 8	\$ 119,532	\$ 46,337	\$ 73,195
2011	71,026	23,108	3,060	10,189	6,484	53	696	114,616	42,541	72,075
2012	76,681	23,117	3,048	9,543	6,477	19		118,885	47,962	70,923
2013	76,167	23,142	2,897	8,932	6,481	2		117,621	47,646	69,975
2014	74,204	23,212	2,684	7,589	7,524			115,213	48,140	67,073
2015-2019	352,347	115,137	11,570	29,383	42,248			550,685	256,671	294,014
2020-2024	304,021	107,667	7,326	23,994	34,703			477,711	275,094	202,617
2025-2029	265,456	98,048	8,309	22,790	21,643			416,246	293,774	122,472
2030-2034	197,340	59,808	134					257,282	197,332	59,950
2035-2039	122,780	29,383						152,163	135,335	16,828
Accreted Interest									66,231	(66,231)
									\$ 1,457,063	\$ 982,891
<b>Total Future Debt Service</b>	<b>1,616,067</b>	<b>524,650</b>	<b>42,182</b>	<b>123,698</b>	<b>132,508</b>	<b>145</b>	<b>704</b>	<b>2,439,954</b>		
Less: Interest Component of Future Payments	(680,215)	(205,567)	(15,089)	(38,456)	(43,551)	(13)		(982,891)		
<b>Principal Portion of Future Payments</b>	<b>935,852</b>	<b>319,083</b>	<b>27,093</b>	<b>85,242</b>	<b>88,957</b>	<b>132</b>	<b>704</b>	<b>1,457,063</b>		
Adjusted by:										
Unamortized Bond Premiums	22,816	3,064		3,764	2,608			32,252		
Deferred Gain on Refunding	(12,569)	(4,352)			(328)			(17,249)		
<b>Total Long-Term Debt</b>	<b>\$ 946,099</b>	<b>\$ 317,795</b>	<b>\$ 27,093</b>	<b>\$ 89,006</b>	<b>\$ 91,237</b>	<b>\$ 132</b>	<b>\$ 704</b>	<b>\$ 1,472,066</b>		

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

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

XI-F(1) bonds, with effective yields ranging from 0.7 percent to 7.3 percent, are due serially through 2039.

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

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

During the fiscal year ended June 30, 2008, OUS issued bonded indebtedness as follows:

- XI-F(1) Taxable Bond Series 2008 A, \$200,000,000, effective interest rate of 5.9 percent for capital construction due serially through 2039.

### B. General Obligation Bonds XI-G

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

XI-G bonds, with effective yields ranging from 0.7 percent to 7.0 percent, are due serially through 2039.

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

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

During the fiscal year ended June 30, 2008, OUS issued bonded indebtedness as follows:

- XI-G Tax Exempt Bond Series 2007 C, \$7,805,000, effective interest rate of 4.6 percent for capital construction due serially through 2038.
- XI-G Taxable Bond Series 2007 E, \$2,500,000, effective interest rate of 5.8 percent for capital construction due serially through 2028.

## C. Oregon Department of Energy Loans

OUS has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at OUS institutions. OUS makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.8 percent, are due through 2030.

## D. Certificates of Participation

Certificates of Participation (COPs) are issued to finance certain equipment, computer software and construction. 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 1.3 percent to 5.0 percent, are due through fiscal year 2029.

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

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

During the fiscal year ended June 30, 2008, OUS issued COPs as follows:

- Series 2007 B, \$5,543,000, effective interest rate of 4.0 percent for technology projects due serially through 2018.

## E. Lottery Bonds

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

In fiscal year 2009, there were no lottery bond issuances.

During the fiscal year ended June 30, 2008, the State issued on OUS's behalf Lottery Bonds as follows:

- Tax Exempt Bond Series 2007 C with net proceeds of \$19,865,000 with an effective interest rate of 4.1 per-

cent. Net proceeds were used for capital construction.

- Taxable Bond Series 2007 D with net proceeds of \$2,345,000 with an effective interest rate of 4.9 percent. Net proceeds were used for capital construction.
- Tax Exempt Bond Series 2008 A with net proceeds of \$27,770,000 with an effective interest rate of 4.1 percent. Net proceeds were used for capital construction.

## F. 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, 2009 and 2008 was \$684,000 and \$1,137,000, respectively.

## G. Debt Related to Oregon Health & Science University

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

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

A receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU (See Note 4). At June 30, 2009 and 2008, long-term debt of OUS that relates to OHSU was \$27,388,000 and \$31,608,000, respectively.

## H. Defeased Debt

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

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

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

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

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

During the year ended June 30, 2008, OUS issued \$21,305,000 in XI-F(1) bonds with an average interest rate of 4.3 percent to refund \$21,235,000 in XI-F(1) bonds with an average interest rate of 5.2 percent. The net proceeds of the bonds were \$21,519,000 (after bond premium of \$318,000 and payment of \$104,000 in underwriting costs.)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$445,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 18 years by \$1,895,000 and resulted in an economic gain of \$1,409,000.

During the year ended June 30, 2008, OUS issued \$7,465,000 in XI-G bonds with an average interest rate of 4.3 percent to refund \$7,365,000 in XI-G bonds with an average interest rate of 5.2 percent. The net proceeds of the bonds were \$7,464,000 (after bond premium of \$37,000 and payment of \$38,000 in underwriting costs.)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$157,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 18 years by \$683,000 and resulted in an economic gain of \$508,000.

In prior years, OUS and OHSU defeased various bond issues by placing funds in an irrevocable trust to provide for all future debt service payments of the defeased bonds. Funds placed in the trust are risk free. 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 \$242,404,000 at June 30, 2009 and \$263,392,000 at June 30, 2008 of which \$96,000 and \$150,000, respectively, related to OHSU.

## I. Capital Leases

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled \$326,000 and \$728,000 as of June 30, 2009 and 2008, respectively. Accumulated depreciation of leased equipment totaled \$148,000 and \$530,000 for June 30, 2009 and 2008, respectively.

The lease purchase (capital lease) contracts expire through fiscal year 2013. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 1.1 percent to 13.4 percent with a weighted average interest rate of 6.8 percent.

## J. Early Retirement Liability

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee's retirement date. As of June 30, 2009, 15 retirees were participating in the health and benefits option of this plan.

Early retirement liabilities comprised \$135,000 and \$182,000 in Current Portion of Long-Term Liabilities and \$248,000 and \$361,000 in Long-Term Liabilities as of June 30, 2009 and 2008, respectively. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of six percent.

## 9. Unrestricted Net Assets

Unrestricted Net Assets comprised the following (in thousands):

	June 30, 2009	June 30, 2008
Budgeted Operating Funds	\$ 79,757	\$ 94,321
Designated Operating Funds	25,567	21,727
Service Department Funds	2,569	202
Housing Funds	23,594	26,998
Intercollegiate Athletics Funds	(14,142)	(12,309)
Other Auxiliary Funds and Other Funds	32,710	36,269
Unrestricted Endowment Funds	2,560	3,241
	<b>\$ 152,615</b>	<b>\$ 170,449</b>

## 10. Investment Activity

Investment Activity detail is as follows (in thousands):

	June 30, 2009	June 30, 2008
Interest Income	\$ 13,862	\$ 20,071
Net Depreciation of Investments	(14,251)	(8,514)
Royalties and Technology Transfer Income	5,790	5,416
Endowment Income	2,626	2,549
Trust Income Distribution	(2,698)	(2,547)
Dividend Income	2	3
Other	-	2
	<b>\$ 5,331</b>	<b>\$ 16,980</b>

## 11. Operating Expenses by Natural Classification

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

	June 30, 2009	June 30, 2008
Compensation and Benefits	\$ 1,255,837	\$ 1,147,478
Services and Supplies	465,293	422,371
Scholarships and Fellowships	99,941	86,388
Depreciation	90,938	91,724
Other Expenses	3,926	9,307
	<b>\$ 1,915,935</b>	<b>\$ 1,757,268</b>

## 12. Government Appropriations

Appropriations specific to capital construction are reported separately from general operations and debt service on the Statement of Revenues, Expenses and Changes in Net Assets. Government appropriations comprised the following (in thousands):

	June 30, 2009			
	General Operations	Debt Service	Capital Construc- tion	Total
General Fund	\$ 317,111	\$ 21,548	\$ 11,718	\$ 350,377
SFSF (1)	55,636			55,636
Lottery Funding	13,455	4,207		17,662
Harvest Tax	3,030			3,030
Total State	389,232	25,755	11,718	426,705
Federal Appropriations	8,169			8,169
County Appropriations	5,266			5,266
Total Appropriations	<b>\$ 402,667</b>	<b>\$ 25,755</b>	<b>\$ 11,718</b>	<b>\$ 440,140</b>

	June 30, 2008			
	General Operations	Debt Service	Capital Construc- tion	Total
General Fund	\$ 400,085	\$ 17,837	\$ 16,610	\$ 434,532
Lottery Funding	6,494	6,615		13,109
Harvest Tax	2,552			2,552
Total State	409,131	24,452	16,610	450,193
Federal Appropriations	9,139			9,139
County Appropriations	5,849			5,849
Total Appropriations	<b>\$ 424,119</b>	<b>\$ 24,452</b>	<b>\$ 16,610</b>	<b>\$ 465,181</b>

(1) OUS's allocation of State Fiscal Stabilization Funds (SFSF). SFSF were provided to the State of Oregon by the Federal Government as one component of the American Recovery and Reinvestment Act.

## 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 are enrolled in Tier Two.

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

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

PERS contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. PERS collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The employer contribution rate for Tier One and Two was 6.54 percent for the fiscal year ended 2009 and 5.45 percent for the first six months and 6.54 percent for the second six months of the fiscal year ended 2008.

The Retirement Bond Debt Service Assessment was author-

ized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of \$2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in November 2003.

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

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 5.95 percent. Payroll assessments for the fiscal years ended June 30, 2009 and 2008 were \$26,819,000 and \$25,743,000, respectively.

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

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

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer, except for one union at PSU where employees self pay. The employer contribution rate for OPSRP was 8.03 percent for the fiscal years ended 2009 and 2008.

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

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

ary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2007, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$52.7 billion and \$203.0 million, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$51.4 billion and \$275.1 million, respectively. Information for OUS as a stand-alone entity is not available.

The ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due is presented in the separately issued PERS Component Unit Financial Report for the year ended June 30, 2008.

The System issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68<sup>th</sup> Parkway, Tigard, OR 97223, or by linking on the internet at [http://www.oregon.gov/PERS/docs/financial\\_reports/2008\\_cafr.pdf](http://www.oregon.gov/PERS/docs/financial_reports/2008_cafr.pdf), or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OUS employer contributions to PERS and OPSRP for the years ended June 30, 2009 and 2008 were \$31,512,000 and \$27,201,000, respectively, equal to the required contributions for those years.

### Optional Retirement Plan

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

	<b>2009</b>	2008
ORP Tier One	<b>16.01%</b>	16.01%
ORP Tier Two	<b>16.01%</b>	16.01%
OPSRP Equivalent	<b>5.82%</b>	5.82%

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

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

### Federal Civil Service Retirement

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

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

### Summary of Pension Payments

OUS total payroll for the year ended June 30, 2009 was

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

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

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

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

OUS total payroll for the year ended June 30, 2008 was \$837,022,000, of which \$625,739,000 was subject to retirement contributions. The following schedule lists payments made by OUS to pension plans for the fiscal year (in thousands):

	June 30, 2008			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	\$ 27,201	4.35%	\$ 25,005	4.00%
ORP	24,331	3.88%	11,943	1.90%
TIAA-CREF	225	0.04%	225	0.04%
Federal	428	0.07%	159	0.03%
FERS - TSP	125	0.02%	319	0.05%
	<b>\$ 52,310</b>	<b>8.36%</b>	<b>\$ 37,651</b>	<b>6.02%</b>

Of the employee share, the employer paid \$24,840,000 of PERS/OPSRP, \$11,857,000 of ORP, and \$225,000 of TIAA-CREF during the fiscal year ended June 30, 2008. The federal contributions of \$159,000 represent FERS and CSRS employees, and the \$319,000 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2008.

## 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 post-retirement 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 25 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 2007.

*Funding Policy.* OUS's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2009 and 2008, OUS paid healthcare insurance premiums of \$152,902,000 and \$138,252,000, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$4,023,000 and \$3,669,000 for the fiscal years ended 2009 and 2008, respectively.

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

	June 30, 2009
Annual Required Contribution	\$ 9,067
Interest on Net OPEB Obligation	230
Adjustment to Annual Required Contribution	(313)
Annual OPEB Cost	8,984
Contributions Made	(4,023)
Increase in Net OPEB Obligation	4,961
Net OPEB Obligation - Beginning of Year	5,150
Net OPEB Obligation - End of Year	<u>\$ 10,111</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 2009 and 2008 were as follows (dollar amounts in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 8,819	42%	\$ 5,150
2009	8,984	45%	4,961

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

	June 30, 2009
Actuarial Accrued Liabilities	\$ 81,908
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 81,908</u>
Funded Ratio	0.00%
Covered Payroll (active plan members)	\$ 535,865
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	15.29%

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

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

Actuarial Valuation Date	7/1/2007
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	28 Years
<b>Actuarial Assumptions:</b>	
Projected Salary Increases	N/A
Initial Healthcare Inflation Rates	5.8% (medical), 2.9% (dental)
Ultimate Healthcare Inflation Rates	5.0% (medical), 4.0% (dental)

### Required Supplementary Information

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$ -	\$81,908	\$81,908	0.0%	\$535,865	15.3%
6/30/2009	-	81,908	81,908	0.0%	535,865	15.3%

## 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, 2009 and 2008, was \$4,882,000 and \$5,899,000, respectively.

## 16. Risk Financing

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

risks to the state insurance fund:

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

The fund is backed by commercial policies, an excess property policy with a limit of \$400 million, and a blanket commercial excess bond with a limit of \$20 million. The Division purchases commercial insurance for specific insurance needs not covered by the fund. The amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

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

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

## 17. Commitments and Contingent Liabilities

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately \$447,274,000 and \$366,272,000 at June 30, 2009 and 2008, 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, 2009.

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

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS. OUS reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OUS cannot be reasonably determined at June 30, 2009.

### Construction Commitments as of June 30, 2009

(In thousands)

Campus/Project Description	Total Commitment	Completed to Date	Outstanding Commitment
<b>Eastern Oregon University:</b>			
Capital Renovations	\$ 10,715	\$ 6,798	\$ 3,917
Inlow Hall Upgrade	6,289	107	6,182
Campus Energy Savings Project	3,044	1,889	1,155
<b>Oregon Institute of Technology:</b>			
Center for Health Professions	18,028	17,028	1,000
Village for Sustainable Living	12,500	6,741	5,759
Owens Hall Renovation	5,017	452	4,565
Capital Renovations	4,778	4,251	527
Academic Building Modernization	1,000	77	923
<b>Oregon State University:</b>			
Linus Pauling Institute	62,325	3,467	58,858
Capital Renovations	11,582	9,917	1,665
Gill Coliseum Renovation	10,904	3,144	7,760
HP Building 11 Renovation	9,500	1,594	7,906
New Energy Center	6,500	3,201	3,299
Education Hall Remodel	7,152	839	6,313
Nash Hall Renovation	3,615	872	2,743
Reed Hall Renovation	3,000	93	2,907
Heckart Hall Renovation	3,000	-	3,000
Waldo Renovation	2,000	160	1,840
STAG Repipe	1,800	192	1,608
Ntnl Wave Energy Research Ctr	1,500	20	1,480
Owen Hall Remodel	1,400	154	1,246
Graf Labs Remodels	1,250	749	501
Radiation Center Addition	1,000	79	921
Cauthorn Remodel	1,000	112	888
<b>Portland State University:</b>			
Archive & Record Center	47,352	36,599	10,753
NW Engineering Center	21,771	18,412	3,359
Capital Renovations	19,447	9,461	9,986
Science Building II	16,367	3,956	12,411
Campus Loop Maintenance	12,966	5,399	7,567
Parking Building Repair	12,327	8,763	3,564
Shattuck Hall	6,662	6,139	523
<b>Southern Oregon University:</b>			
SOU/RCC Medford Building	5,550	4,887	663
<b>University of Oregon:</b>			
Basketball Arena Project	192,587	40,532	152,055
Autzen Stadium Expansion	60,300	59,765	535
Education Center Addition	47,364	46,589	775
Central Power Station Addition	21,169	12,651	8,518
Residence Hall Building Repairs	17,752	17,158	594
Underground Parking Structure	15,000	2,385	12,615
Capital Repair	8,294	3,244	5,050
Living Learning Center	3,000	1,649	1,351
Alumni Center Planning	2,975	2,350	625
Fenton Hall Renovation	2,481	132	2,349
Erb Memorial Union Renovation	2,260	5	2,255
Computing Center Upgrades	1,200	513	687
Riverfront Research Park	1,195	124	1,071
<b>Western Oregon University:</b>			
Physical Education Building	12,651	26	12,625
New Student Residence	10,000	509	9,491
Classrooms and Office Building	5,982	109	5,873
Math/Nursing Facility	2,485	925	1,560
Steamline Phase II	1,000	295	705
<b>Projects with &lt;\$500 thousand remaining to be spent</b>			
	159,041	156,148	2,893
<b>Project Budgets &lt;\$1 million</b>			
	123,331	73,473	49,858
	<b>\$ 1,021,408</b>	<b>\$ 574,134</b>	<b>\$ 447,274</b>

## 18. University Foundations

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

The financial activity is reported for the years ended June 30, 2009 and 2008, except for Eastern Oregon University Foundation reporting for December 31, 2008 and 2007.

During the years ended June 30, 2009 and 2008, gifts of \$142,973,000 and \$121,211,000, respectively, were transferred from university foundations to OUS universities. All of the OUS affiliated foundations are audited annually and received unqualified audit opinions except for the following:

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

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

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

- Eastern Oregon University Foundation, One University Blvd., La Grande, OR 97850
- Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR 97601-8801
- Oregon State University Foundation, 850 SW 35<sup>th</sup> Street, PO Box 1438, Corvallis, OR 97339-1438
- Portland State University Foundation, 2125 SW Fourth Avenue, Suite 510, Portland, OR 97201
- Southern Oregon University Foundation, 1250 Siskiyou Boulevard, Ashland, OR 97520-5043
- University of Oregon Foundation, 360 E. 10th, Suite 202, Eugene, OR 97401
- Western Oregon University Development Foundation, 345

North Monmouth Avenue, The Cottage, Monmouth, OR 97361

- Agricultural Research Foundation, Strand Agricultural Hall - Suite 100, Oregon State University, Corvallis, OR 97331-2219

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

## COMPONENT UNITS

### COMBINING FINANCIAL STATEMENTS

#### STATEMENTS OF FINANCIAL POSITION

As of June 30, 2009 (in thousands)

	Eastern Oregon University Foundation *	Oregon Tech Foundation	Oregon State University Foundation
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 960	\$ 333	\$ 5,572
Contributions, Pledges and Grants Receivable, Net	122	3,514	43,567
Investments	3,908	15,311	360,381
Prepaid or Deferred Expenses, and Other Assets	10	155	14,874
Property and Equipment, Net			8,839
<b>Total Assets</b>	<b>\$ 5,000</b>	<b>\$ 19,313</b>	<b>\$ 433,233</b>

#### LIABILITIES

Accounts Payable and Accrued Liabilities		\$ 90	\$ 1,599
Accounts Payable to Universities			6,552
Obligations to Beneficiaries of Split-Interest Agreements		92	23,954
Deposits and Deferred Revenue	\$ 131		
Long-Term Liabilities		3,559	
<b>Total Liabilities</b>	<b>\$ 131</b>	<b>\$ 3,741</b>	<b>\$ 32,105</b>

#### NET ASSETS

Unrestricted (Deficit)	\$ 371	\$ 8,181	\$ (22,939)
Temporarily Restricted	1,686	2,512	159,201
Permanently Restricted	2,812	4,879	264,866
<b>Total Net Assets</b>	<b>\$ 4,869</b>	<b>\$ 15,572</b>	<b>\$ 401,128</b>

#### STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2009 (in thousands)

#### REVENUES

Grants, Bequests and Gifts	\$ 2,045	\$ 939	\$ 58,380
Interest and Dividends			8,913
Investment Income (Loss), Net	(844)	(2,096)	(99,138)
Change in Value of Life Income Agreements		(220)	(6,172)
Other Revenues	98	27	12,088
<b>Total Revenues</b>	<b>1,299</b>	<b>(1,350)</b>	<b>(25,929)</b>

#### EXPENSES

General and Administrative	114	140	16,722
Development Expenses			
University Support	449	3,203	75,509
Other Expenses			6,975
<b>Total Expenses</b>	<b>563</b>	<b>3,343</b>	<b>99,206</b>

<b>Increase (Decrease) In Net Assets</b>	<b>736</b>	<b>(4,693)</b>	<b>(125,135)</b>
--	------------	----------------	------------------

<b>NET ASSETS, BEGINNING BALANCE</b>	<b>4,133</b>	<b>20,265</b>	<b>526,263</b>
--------------------------------------	--------------	---------------	----------------

<b>NET ASSETS, ENDING BALANCE</b>	<b>\$ 4,869</b>	<b>\$ 15,572</b>	<b>\$ 401,128</b>
-----------------------------------	-----------------	------------------	-------------------

\* As of December 31, 2008

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

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

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

## COMPONENT UNITS

### COMBINING FINANCIAL STATEMENTS

#### STATEMENTS OF FINANCIAL POSITION

As of June 30, 2008 (in thousands)

	Eastern Oregon University Foundation *	Oregon Tech Foundation	Oregon State University Foundation
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 638	\$ 983	\$ 18,745
Contributions, Pledges and Grants Receivable, Net	127	3,588	45,727
Investments	3,503	18,009	493,289
Prepaid or Deferred Expenses, and Other Assets	12	138	3,321
Property and Equipment, Net			6,360
<b>Total Assets</b>	<b>\$ 4,280</b>	<b>\$ 22,718</b>	<b>\$ 567,442</b>

#### LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 5	\$ 447	\$ 1,492
Accounts Payable to Universities			11,192
Obligations to Beneficiaries of Split-Interest Agreements		106	28,495
Deposits and Deferred Revenue	142		
Long-Term Liabilities		1,900	
<b>Total Liabilities</b>	<b>\$ 147</b>	<b>\$ 2,453</b>	<b>\$ 41,179</b>

#### NET ASSETS

Unrestricted (Deficit)	\$ 111	\$ 7,697	\$ 34,920
Temporarily Restricted	1,347	7,557	240,660
Permanently Restricted	2,675	5,011	250,683
<b>Total Net Assets</b>	<b>\$ 4,133</b>	<b>\$ 20,265</b>	<b>\$ 526,263</b>

#### STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2008 (in thousands)

#### REVENUES

Grants, Bequests and Gifts	\$ 685	\$ 6,062	\$ 89,388
Interest and Dividends			9,221
Investment Income (Loss), Net	294	(768)	(27,411)
Change in Value of Life Income Agreements		(87)	(880)
Other Revenues	95	51	13,949
<b>Total Revenues</b>	<b>1,074</b>	<b>5,258</b>	<b>84,267</b>

#### EXPENSES

General and Administrative	75	500	17,006
Development Expenses			
University Support	418	8,971	69,410
Other Expenses	152		8,558
<b>Total Expenses</b>	<b>645</b>	<b>9,471</b>	<b>94,974</b>
<b>Increase (Decrease) In Net Assets Before Other</b>			
<b>Changes in Net Assets</b>	<b>429</b>	<b>(4,213)</b>	<b>(10,707)</b>
Other Changes in Net Assets			
<b>Increase (Decrease) In Net Assets</b>	<b>429</b>	<b>(4,213)</b>	<b>(10,707)</b>
<b>NET ASSETS, BEGINNING BALANCE</b>	<b>3,704</b>	<b>24,478</b>	<b>536,970</b>
<b>NET ASSETS, ENDING BALANCE</b>	<b>\$ 4,133</b>	<b>\$ 20,265</b>	<b>\$ 526,263</b>

\* As of December 31, 2007

# Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

Portland State University Foundation	Southern Oregon University Foundation	University of Oregon Foundation	Western Oregon University Development Foundation	Agricultural Research Foundation	Total Component Units
\$ 1,167	\$ 1,219	\$ 13,943	\$ 248	\$ 1,053	\$ 37,996
6,002	382	196,777	107		252,710
45,009	17,440	580,880	9,451	13,673	1,181,254
6,697	654	23,254	95		34,171
40,129	1,414		536	8	48,447
<b>\$ 99,004</b>	<b>\$ 21,109</b>	<b>\$ 814,854</b>	<b>\$ 10,437</b>	<b>\$ 14,734</b>	<b>\$ 1,554,578</b>
\$ 644	\$ 457	\$ 4,167			\$ 7,212
387					11,579
1,065	481	45,478	\$ 1,613		77,238
41	218	13,358			13,759
48,186	1,635	8,539			60,260
<b>\$ 50,323</b>	<b>\$ 2,791</b>	<b>\$ 71,542</b>	<b>\$ 1,613</b>	<b>\$ -</b>	<b>\$ 170,048</b>
\$ (1,890)	\$ 3,350	\$ 14,482	\$ 642	\$ 1,463	\$ 60,775
22,767	1,389	413,431	4,054	12,386	703,591
27,804	13,579	315,399	4,128	885	620,164
<b>\$ 48,681</b>	<b>\$ 18,318</b>	<b>\$ 743,312</b>	<b>\$ 8,824</b>	<b>\$ 14,734</b>	<b>\$ 1,384,530</b>
\$ 12,768	\$ 2,583	\$ 234,851	\$ 1,288	\$ 6,781	\$ 354,406
	246				9,467
(255)	(2,324)	9,944	(109)	1,096	(19,533)
	(43)	(4,690)			(5,700)
7,043	742	797	220		22,897
<b>19,556</b>	<b>1,204</b>	<b>240,902</b>	<b>1,399</b>	<b>7,877</b>	<b>361,537</b>
1,528	429	9,778	190		29,506
				6,170	6,170
6,615	5,129	65,521	1,589		157,653
6,213	272				15,195
<b>14,356</b>	<b>5,830</b>	<b>75,299</b>	<b>1,779</b>	<b>6,170</b>	<b>208,524</b>
<b>5,200</b>	<b>(4,626)</b>	<b>165,603</b>	<b>(380)</b>	<b>1,707</b>	<b>153,013</b>
748	(182)				566
<b>5,948</b>	<b>(4,808)</b>	<b>165,603</b>	<b>(380)</b>	<b>1,707</b>	<b>153,579</b>
<b>42,733</b>	<b>23,126</b>	<b>577,709</b>	<b>9,204</b>	<b>13,027</b>	<b>1,230,951</b>
<b>\$ 48,681</b>	<b>\$ 18,318</b>	<b>\$ 743,312</b>	<b>\$ 8,824</b>	<b>\$ 14,734</b>	<b>\$ 1,384,530</b>

**Supplementary Schedules**  
**CONSOLIDATING STATEMENT OF NET ASSETS**

As of June 30, 2009 (in thousands)	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 4,877	\$ 9,430	\$ 95,246
Collateral from Securities Lending	-	-	-
Accounts Receivable, Net	4,041	3,634	67,745
Accounts Receivable from Component Units	-	-	9,519
Notes Receivable, Net	243	515	3,293
Inventories	414	440	1,653
Prepaid Expenses	50	20	3,855
<b>Total Current Assets</b>	<b>9,625</b>	<b>14,039</b>	<b>181,311</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents	4,019	16,492	115,979
Long-Term Investments	1,165	195	27,932
Notes Receivable, Net	1,730	2,851	26,064
Due From Other OUS Funds and Entities	-	-	-
Capital Assets, Net of Accumulated Depreciation	55,695	62,889	566,305
<b>Total Noncurrent Assets</b>	<b>62,609</b>	<b>82,427</b>	<b>736,280</b>
<b>TOTAL ASSETS</b>	<b>\$ 72,234</b>	<b>\$ 96,466</b>	<b>\$ 917,591</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 1,992	\$ 6,877	\$ 26,329
Deposits	540	462	3,146
Obligations Under Securities Lending	-	-	-
Current Portion of Long-Term Liabilities	1,738	1,765	23,023
Deferred Revenue	1,535	1,643	46,821
<b>Total Current Liabilities</b>	<b>5,805</b>	<b>10,747</b>	<b>99,319</b>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities	47,591	54,025	365,524
Due to Other OUS Funds and Entities	-	85	-
<b>Total Noncurrent Liabilities</b>	<b>47,591</b>	<b>54,110</b>	<b>365,524</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 53,396</b>	<b>\$ 64,857</b>	<b>\$ 464,843</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 12,497	\$ 24,362	\$ 287,563
Restricted For:			
Nonexpendable Endowments	554	-	3,137
Expendable:			
Gifts, Grants, and Contracts	919	528	38,804
Student Loans	2,057	4,212	32,769
Capital Projects	(549)	(3,306)	36,605
Debt Service	14	41	413
Unrestricted Net Assets	3,346	5,772	53,457
<b>TOTAL NET ASSETS</b>	<b>\$ 18,838</b>	<b>\$ 31,609</b>	<b>\$ 452,748</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ 32,257	\$ 10,469	\$ 92,886	\$ 16,714	\$ 72,313		\$ 334,192
-	-	-	-	375,509		375,509
52,886	6,223	42,410	5,981	4,438		187,358
512	2	4,355	-	-		14,388
926	534	3,416	318	3,103		12,348
451	795	2,062	981	-		6,796
1,176	26	2,713	195	10,515		18,550
88,208	18,049	147,842	24,189	465,878		949,141
87,626	3,309	227,505	31,006	53,910		539,846
3,005	1,637	23,193	52	10,126		67,305
8,030	3,633	20,761	3,800	24,285		91,154
-	-	-	-	386	\$ (386)	-
335,718	81,500	611,045	51,249	35		1,764,436
434,379	90,079	882,504	86,107	88,742	(386)	2,462,741
<b>\$ 522,587</b>	<b>\$ 108,128</b>	<b>\$ 1,030,346</b>	<b>\$ 110,296</b>	<b>\$ 554,620</b>	<b>\$ (386)</b>	<b>\$ 3,411,882</b>
\$ 26,226	\$ 2,504	\$ 41,705	\$ 4,468	\$ 39,873		\$ 149,974
3,335	351	5,067	854	4,882		18,637
-	-	-	-	375,509		375,509
9,821	2,549	14,013	1,718	46,257		100,884
27,190	3,109	32,551	1,827	345		115,021
66,572	8,513	93,336	8,867	466,866		760,025
277,671	61,925	511,533	68,768	39,495		1,426,532
151	100	50	-	-	\$ (386)	-
277,822	62,025	511,583	68,768	39,495	(386)	1,426,532
<b>\$ 344,394</b>	<b>\$ 70,538</b>	<b>\$ 604,919</b>	<b>\$ 77,635</b>	<b>\$ 506,361</b>	<b>\$ (386)</b>	<b>\$ 2,186,557</b>
\$ 119,285	\$ 23,532	\$ 314,099	\$ 11,202	\$ (63,158)		\$ 729,382
1,285	1,812	7,388	2	2,109		16,287
2,623	1,151	43,515	654	1,825		90,019
9,436	4,774	26,286	6,074	8		85,616
6,584	2,105	4,931	3,600	22,029		71,999
161	113	11	81	78,573		79,407
38,819	4,103	29,197	11,048	6,873		152,615
<b>\$ 178,193</b>	<b>\$ 37,590</b>	<b>\$ 425,427</b>	<b>\$ 32,661</b>	<b>\$ 48,259</b>	<b>\$ -</b>	<b>\$ 1,225,325</b>

## Supplementary Schedules

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

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

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ 137,394	\$ 20,246	\$ 203,974	\$ 23,515			\$ 542,276
64,691	7,916	104,333	14,305	\$ 1,457	\$ (5,731)	349,068
13,752	3,070	12,883	4,711	522		53,404
13,566	988	10,007	1,930	190		51,976
5,410	3,426	22,105	834	28		59,789
53,827	18,096	100,911	16,081	-		289,230
5,471	1,134	6,421	1,545	2,316	-	22,938
<b>294,111</b>	<b>54,876</b>	<b>460,634</b>	<b>62,921</b>	<b>4,513</b>	<b>(5,731)</b>	<b>1,368,681</b>
138,054	26,953	179,363	26,560	1,465		567,543
39,608	476	76,231	7,502	-	(4,762)	301,131
8,935	2,173	32,125	461	1,605		108,113
26,598	7,040	39,290	6,412	53		130,395
13,092	4,430	24,787	5,295	-		73,214
52,417	19,056	119,759	19,572	-		329,919
22,619	4,049	22,268	4,134	-		84,153
24,453	5,109	51,353	5,670	14,048		151,865
22,006	5,030	15,315	5,307	-		72,857
23,145	6,668	23,862	3,519	36	(969)	96,745
<b>370,927</b>	<b>80,984</b>	<b>584,353</b>	<b>84,432</b>	<b>17,207</b>	<b>(5,731)</b>	<b>1,915,935</b>
<b>(76,816)</b>	<b>(26,108)</b>	<b>(123,719)</b>	<b>(21,511)</b>	<b>(12,694)</b>	<b>-</b>	<b>(547,254)</b>
72,954	17,244	73,121	19,761	12,295		402,667
868	58	3,149	173	(2,972)		5,331
(190)	6	2,760	9	-		2,968
(11,414)	(2,557)	(26,580)	(2,454)	(658)		(64,508)
2,638	3,304	40,731	483	85		96,667
<b>64,856</b>	<b>18,055</b>	<b>93,181</b>	<b>17,972</b>	<b>8,750</b>	<b>-</b>	<b>443,125</b>
<b>(11,960)</b>	<b>(8,053)</b>	<b>(30,538)</b>	<b>(3,539)</b>	<b>(3,944)</b>	<b>-</b>	<b>(104,129)</b>
14,174	2,958	7,639	1,087	59		37,473
9,927	104	19,902	500	-		75,707
9,315	(295)	4,531	1,805	(19,181)		-
<b>33,416</b>	<b>2,767</b>	<b>32,072</b>	<b>3,392</b>	<b>(19,122)</b>	<b>-</b>	<b>113,180</b>
<b>21,456</b>	<b>(5,286)</b>	<b>1,534</b>	<b>(147)</b>	<b>(23,066)</b>	<b>-</b>	<b>9,051</b>
156,737	42,876	423,893	32,808	71,325		<b>1,216,274</b>
<b>\$ 178,193</b>	<b>\$ 37,590</b>	<b>\$ 425,427</b>	<b>\$ 32,661</b>	<b>\$ 48,259</b>	<b>\$ -</b>	<b>\$ 1,225,325</b>

**Supplementary Schedules**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**

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

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

**Supplementary Schedules**  
**CONSOLIDATING STATEMENT OF CASH FLOWS—Continued**

For the Year Ended June 30, 2009 (in thousands)	<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 Loss	\$ (18,669)	\$ (23,633)	\$ (244,104)
Adjustments to Reconcile Operating Loss to Net Cash (Used)			
Provided by Operating Activities:			
Depreciation Expense	2,907	1,553	35,144
Changes in Assets and Liabilities:			
Accounts Receivable	(754)	(282)	(6,219)
Notes Receivable	(38)	177	2,442
Inventories	(40)	(12)	250
Prepaid Expenses	(18)	33	(750)
Accounts Payable and Accrued Liabilities	501	4,606	(4,794)
Long-Term Liabilities	6,529	(1,508)	(1,816)
Deposits	3	12	(16)
Deferred Revenue	249	342	10,338
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (9,330)</b>	<b>\$ (18,712)</b>	<b>\$ (209,525)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>			
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 16	\$ -	\$ 6
Capital Assets Acquired by Gifts in Kind	-	86	1,683
Decrease in Fair Value of Investments Recognized as a Component of Investment Activity	-	-	-

<b>Portland State University</b>	<b>Southern Oregon University</b>	<b>University of Oregon</b>	<b>Western Oregon University</b>	<b>Chancellor's Office</b>	<b>Eliminations</b>	<b>Total OUS</b>
\$ (76,816)	\$ (26,108)	\$ (123,719)	\$ (21,511)	\$ (12,694)		\$ (547,254)
15,454	4,178	28,261	3,434	7		90,938
(8,590)	1,317	(11,824)	(11)	172		(26,191)
(45)	47	8,508	(246)	-		10,845
35	(83)	(177)	(52)	-		(79)
208	44	358	(8)	(1,313)		(1,446)
9,546	(887)	15,070	(625)	8,351		31,768
(9,826)	7,408	3,177	(8,756)	11,897		7,105
(6)	(37)	77	-	-		33
4,609	561	4,321	289	(340)		20,369
<b>\$ (65,431)</b>	<b>\$ (13,560)</b>	<b>\$ (75,948)</b>	<b>\$ (27,486)</b>	<b>\$ 6,080</b>	<b>\$ -</b>	<b>\$ (413,912)</b>

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

**Supplementary Schedules**  
**CONSOLIDATING STATEMENT OF NET ASSETS**

As of June 30, 2008 (in thousands)	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 5,111	\$ 11,725	\$ 112,651
Collateral from Securities Lending	-	-	-
Accounts Receivable, Net	3,634	3,328	59,801
Accounts Receivable from Component Units	-	-	11,306
Notes Receivable, Net	239	540	4,228
Inventories	373	428	1,902
Prepaid Expenses	32	19	2,616
<b>Total Current Assets</b>	<b>9,389</b>	<b>16,040</b>	<b>192,504</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents	2,958	3,012	46,077
Long-Term Investments	1,350	256	34,007
Notes Receivable, Net	1,697	2,993	27,569
Due From Other OUS Funds and Entities	121	-	4,038
Capital Assets, Net of Accumulated Depreciation	55,728	37,729	527,712
<b>Total Noncurrent Assets</b>	<b>61,854</b>	<b>43,990</b>	<b>639,403</b>
<b>TOTAL ASSETS</b>	<b>\$ 71,243</b>	<b>\$ 60,030</b>	<b>\$ 831,907</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 1,329	\$ 3,206	\$ 27,361
Deposits	438	354	2,741
Obligations Under Securities Lending	-	-	-
Current Portion of Long-Term Liabilities	1,558	1,344	20,914
Deferred Revenue	1,287	1,293	36,434
<b>Total Current Liabilities</b>	<b>4,612</b>	<b>6,197</b>	<b>87,450</b>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities	47,618	26,015	298,354
Due to Other OUS Funds and Entities	121	140	4,038
<b>Total Noncurrent Liabilities</b>	<b>47,739</b>	<b>26,155</b>	<b>302,392</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 52,351</b>	<b>\$ 32,352</b>	<b>\$ 389,842</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 8,787	\$ 13,026	\$ 264,703
Restricted For:			
Nonexpendable Endowments	554	-	4,183
Expendable:			
Gifts, Grants, and Contracts	1,121	862	46,181
Student Loans	2,013	4,190	33,271
Capital Projects	2,181	261	18,682
Debt Service	19	57	1,679
Unrestricted Net Assets	4,217	9,282	73,366
<b>TOTAL NET ASSETS</b>	<b>\$ 18,892</b>	<b>\$ 27,678</b>	<b>\$ 442,065</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ 28,764	\$ 11,485	\$ 91,713	\$ 17,026	\$ 76,859		\$ 355,334
-	-	-	-	414,901		414,901
47,735	5,802	44,943	5,969	7,109		178,321
189	20	431	-	-		11,946
1,010	531	2,805	251	4,216		13,820
485	712	1,856	930	-		6,686
1,384	70	3,070	188	9,202		16,581
79,567	18,620	144,818	24,364	512,287		997,589
41,356	5,401	248,933	5,958	106,919		460,614
2,294	2,143	27,135	67	14,477		81,729
7,906	3,671	22,528	3,621	27,393		97,378
17,205	636	4,215	49	4,073	\$ (30,337)	-
278,247	82,300	517,804	49,250	24		1,548,794
347,008	94,151	820,615	58,945	152,886	(30,337)	2,188,515
<b>\$ 426,575</b>	<b>\$ 112,771</b>	<b>\$ 965,433</b>	<b>\$ 83,309</b>	<b>\$ 665,173</b>	<b>\$ (30,337)</b>	<b>\$ 3,186,104</b>
\$ 21,252	\$ 2,730	\$ 26,358	\$ 4,828	\$ 32,088		\$ 119,152
3,065	610	5,285	783	(130)		13,146
-	-	-	-	414,901		414,901
7,768	2,401	12,126	1,299	41,348		88,758
22,560	2,251	28,230	1,545	1,099		94,699
54,645	7,992	71,999	8,455	489,306		730,656
197,835	61,168	465,242	41,984	100,958		1,239,174
17,358	735	4,299	62	3,584	\$ (30,337)	-
215,193	61,903	469,541	42,046	104,542	(30,337)	1,239,174
<b>\$ 269,838</b>	<b>\$ 69,895</b>	<b>\$ 541,540</b>	<b>\$ 50,501</b>	<b>\$ 593,848</b>	<b>\$ (30,337)</b>	<b>\$ 1,969,830</b>
\$ 86,305	\$ 24,570	\$ 255,264	\$ 10,715	\$ (31,744)		\$ 631,626
1,285	1,812	7,387	2	2,110		17,333
2,509	1,046	47,845	1,041	1,868	\$ 824	103,297
9,702	4,819	25,831	5,654	6	1,501	86,987
15,482	3,779	42,169	3,205	20,242	18,267	124,268
419	92	9,907	110	70,031		82,314
41,035	6,758	35,490	12,081	8,812	(20,592)	170,449
<b>\$ 156,737</b>	<b>\$ 42,876</b>	<b>\$ 423,893</b>	<b>\$ 32,808</b>	<b>\$ 71,325</b>	<b>\$ -</b>	<b>\$ 1,216,274</b>

## Supplementary Schedules

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

For The Year Ended June 30, 2008 (in thousands)	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 11,511	\$ 11,280	\$ 125,710
Federal Grants and Contracts	5,670	7,127	143,831
State and Local Grants and Contracts	930	388	10,302
Nongovernmental Grants and Contracts	35	312	16,676
Educational Department Sales and Services	206	238	31,613
Auxiliary Enterprise Revenues, Net	6,005	6,520	79,219
Other Operating Revenues	619	423	5,634
<b>Total Operating Revenues</b>	<b>24,976</b>	<b>26,288</b>	<b>412,985</b>
<b>OPERATING EXPENSES</b>			
Instruction	14,952	19,350	150,700
Research	405	111	164,531
Public Service	1,822	3,249	53,322
Academic Support	3,791	4,321	37,106
Student Services	2,184	2,698	18,198
Auxiliary Programs	6,721	7,658	96,929
Operation and Maintenance of Plant	3,165	2,529	24,099
Institutional Support	4,464	4,166	37,612
Student Aid	2,596	2,479	17,083
Other Operating Expenses	2,304	3,002	34,295
<b>Total Operating Expenses</b>	<b>42,404</b>	<b>49,563</b>	<b>633,875</b>
<b>Operating Loss</b>	<b>(17,428)</b>	<b>(23,275)</b>	<b>(220,890)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Appropriations	17,454	22,103	180,405
Investment Activity	23	185	2,280
(Loss) Gain on Sale of Assets, Net	(52)	702	(322)
Interest Expense	(2,320)	(1,341)	(15,996)
Other Nonoperating Items	277	586	45,490
<b>Net Nonoperating Revenues</b>	<b>15,382</b>	<b>22,235</b>	<b>211,857</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	<b>(2,046)</b>	<b>(1,040)</b>	<b>(9,033)</b>
Capital and Debt Service Appropriations	3,399	426	12,031
Capital Grants and Gifts	-	8,710	17,671
Transfers within OUS	(11)	782	18,756
<b>Total Other Nonoperating Revenues (Expenses), Net</b>	<b>3,388</b>	<b>9,918</b>	<b>48,458</b>
<b>Increase In Net Assets</b>	<b>1,342</b>	<b>8,878</b>	<b>39,425</b>
<b>NET ASSETS, BEGINNING BALANCE</b>	<b>17,550</b>	<b>18,800</b>	<b>402,640</b>
<b>NET ASSETS, ENDING BALANCE</b>	<b>\$ 18,892</b>	<b>\$ 27,678</b>	<b>\$ 442,065</b>

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ 126,633	\$ 20,478	\$ 178,794	\$ 21,606			\$ 496,012
52,614	7,353	96,245	13,090	\$ 2,297	\$ (5,419)	322,808
10,243	1,569	7,647	3,167	229		34,475
8,487	1,527	9,458	590	95		37,180
5,890	3,661	21,511	3,298	23		66,440
48,989	17,894	96,312	15,550	179		270,668
5,288	1,081	5,309	3,358	2,397		24,109
<b>258,144</b>	<b>53,563</b>	<b>415,276</b>	<b>60,659</b>	<b>5,220</b>	<b>(5,419)</b>	<b>1,251,692</b>
125,609	26,073	167,287	24,441	1,617		530,029
28,909	714	66,546	7,115	-	(4,550)	263,781
7,989	3,642	30,464	475	2,618		103,581
25,008	6,257	36,620	5,667	73		118,843
11,260	4,484	22,083	4,663	-		65,570
47,461	18,344	111,986	17,894	362		307,355
20,859	4,091	21,243	3,985	-		79,971
19,384	4,505	44,371	4,983	13,785		133,270
18,475	3,999	11,723	4,234	-		60,589
18,117	4,503	27,696	6,661	(1,430)	(869)	94,279
<b>323,071</b>	<b>76,612</b>	<b>540,019</b>	<b>80,118</b>	<b>17,025</b>	<b>(5,419)</b>	<b>1,757,268</b>
<b>(64,927)</b>	<b>(23,049)</b>	<b>(124,743)</b>	<b>(19,459)</b>	<b>(11,805)</b>	<b>-</b>	<b>(505,576)</b>
75,458	19,214	75,423	19,643	14,419		424,119
1,097	59	3,168	349	9,819		16,980
(637)	-	(56)	(458)	2,385		1,562
(9,743)	(2,994)	(13,676)	(2,216)	(4,641)		(52,927)
4,049	2,714	44,491	241	2,293		100,141
<b>70,224</b>	<b>18,993</b>	<b>109,350</b>	<b>17,559</b>	<b>24,275</b>	<b>-</b>	<b>489,875</b>
<b>5,297</b>	<b>(4,056)</b>	<b>(15,393)</b>	<b>(1,900)</b>	<b>12,470</b>	<b>-</b>	<b>(15,701)</b>
10,467	2,600	5,686	3,908	2,545		41,062
9,953	3,795	14,390	588	-		55,107
(3,151)	1,323	(4,036)	506	(14,169)		-
<b>17,269</b>	<b>7,718</b>	<b>16,040</b>	<b>5,002</b>	<b>(11,624)</b>	<b>-</b>	<b>96,169</b>
<b>22,566</b>	<b>3,662</b>	<b>647</b>	<b>3,102</b>	<b>846</b>	<b>-</b>	<b>80,468</b>
134,171	39,214	423,246	29,706	70,479		1,135,806
<b>\$ 156,737</b>	<b>\$ 42,876</b>	<b>\$ 423,893</b>	<b>\$ 32,808</b>	<b>\$ 71,325</b>	<b>\$ -</b>	<b>\$ 1,216,274</b>

# Supplementary Schedules

## CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008 (in thousands)	Eastern Oregon University	Oregon Institute of Technology	Oregon State University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 11,270	\$ 11,677	\$ 121,132
Grants and Contracts	7,642	7,875	172,025
Educational Department Sales and Services	216	242	31,490
Auxiliary Enterprise Operations	5,921	6,493	82,225
Student Loan Collections	264	698	4,410
Payments to Employees for Compensation and Benefits	(28,319)	(33,796)	(415,672)
Payments to Suppliers	(8,767)	(13,489)	(171,587)
Student Financial Aid	(2,659)	(2,304)	(26,791)
Student Loan Issuance and Costs	(397)	(767)	(8,814)
Other Operating Receipts	502	433	1,489
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(14,327)</b>	<b>(22,938)</b>	<b>(210,093)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Appropriations	17,454	22,104	180,405
Other Gifts and Private Contracts	272	1,622	46,209
Net Agency Fund Receipts (Payments)	64	7	(667)
Net Transfers from (to) Other Funds and OUS Universities	517	1,953	11,989
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>18,307</b>	<b>25,686</b>	<b>237,936</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Appropriations	1,334	3	4,776
Debt Service Appropriations	2,065	423	7,255
Capital Grants and Gifts	-	8,710	14,715
Bond Proceeds on Capital Debt	1,869	1,072	40,700
Sales of Capital Assets	445	1,127	7,572
Purchases of Capital Assets	(903)	(9,203)	(68,373)
Interest Payments on Capital Debt	(2,318)	(1,292)	(7,245)
Principal Payments on Capital Debt	(2,225)	(848)	(16,576)
<b>Net Cash (Used) Provided by Capital and Related Financing Activities</b>	<b>267</b>	<b>(8)</b>	<b>(17,176)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Purchases of Investments	-	-	-
Interest on Investments and Cash Balances	243	226	8,041
Interest Income from Securities Lending	-	-	-
Interest Expense from Securities Lending	-	-	-
<b>Net Cash Provided by Investing Activities</b>	<b>243</b>	<b>226</b>	<b>8,041</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,490</b>	<b>2,966</b>	<b>18,708</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING BALANCE</b>	<b>3,579</b>	<b>11,771</b>	<b>140,020</b>
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>\$ 8,069</b>	<b>\$ 14,737</b>	<b>\$ 158,728</b>

<b>Portland State University</b>	<b>Southern Oregon University</b>	<b>University of Oregon</b>	<b>Western Oregon University</b>	<b>Chancellor's Office</b>	<b>Eliminations</b>	<b>Total OUS</b>
\$ 126,213	\$ 19,843	\$ 176,742	\$ 20,786	\$ (871)		\$ 486,792
71,211	10,873	109,175	17,129	3,578	\$ (5,419)	394,089
5,912	3,660	21,453	3,285	24		66,282
48,466	17,612	96,831	15,249	(136)		272,661
1,415	826	4,589	592	(7)		12,787
(204,952)	(47,523)	(350,861)	(47,875)	(9,165)		(1,138,163)
(77,403)	(21,447)	(134,595)	(20,115)	11,251	5,419	(430,733)
(19,506)	(4,350)	(24,371)	(5,146)	(1,261)		(86,388)
(2,373)	(872)	(8,061)	(2,617)	-		(23,901)
1,445	948	2,338	3,059	2,396		12,610
<b>(49,572)</b>	<b>(20,430)</b>	<b>(106,760)</b>	<b>(15,653)</b>	<b>5,809</b>	<b>-</b>	<b>(433,964)</b>
75,458	19,214	75,423	19,642	14,714		424,414
3,215	3,521	43,280	90	89		98,298
(25)	(244)	(840)	(346)	(1,409)		(3,460)
4,948	1,270	(2,675)	1,552	(19,554)		-
<b>83,596</b>	<b>23,761</b>	<b>115,188</b>	<b>20,938</b>	<b>(6,160)</b>	<b>-</b>	<b>519,252</b>
6,853	-	981	2,985	(322)		16,610
3,614	2,600	4,704	924	(490)		21,095
9,878	2,805	12,036	570	-		48,714
2,655	6,155	209,196	952	31,454		294,053
8,061	163	3,434	1,106	11,468		33,376
(43,432)	(7,948)	(79,472)	(6,345)	(25)		(215,701)
(7,804)	(3,002)	(11,862)	(2,216)	(16,763)		(52,502)
(6,794)	(2,420)	(7,698)	(1,387)	(35,036)		(72,984)
<b>(26,969)</b>	<b>(1,647)</b>	<b>131,319</b>	<b>(3,411)</b>	<b>(9,714)</b>	<b>-</b>	<b>72,661</b>
-	-	(4)	-	10,510		10,506
1,471	409	7,584	360	7,235		25,569
-	-	-	-	6,195		6,195
-	-	-	-	(6,195)		(6,195)
<b>1,471</b>	<b>409</b>	<b>7,580</b>	<b>360</b>	<b>17,745</b>	<b>-</b>	<b>36,075</b>
<b>8,526</b>	<b>2,093</b>	<b>147,327</b>	<b>2,234</b>	<b>7,680</b>	<b>-</b>	<b>194,024</b>
61,594	14,793	193,319	20,750	176,098		<b>621,924</b>
<b>\$ 70,120</b>	<b>\$ 16,886</b>	<b>\$ 340,646</b>	<b>\$ 22,984</b>	<b>\$ 183,778</b>	<b>\$ -</b>	<b>\$ 815,948</b>

**Supplementary Schedules**  
**CONSOLIDATING STATEMENT OF CASH FLOWS—Continued**

For the Year Ended June 30, 2008 (in thousands)	<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 Loss	\$ (17,428)	\$ (23,275)	\$ (220,890)
Adjustments to Reconcile Operating Loss to Net Cash (Used)			
Provided by Operating Activities:			
Depreciation Expense	2,959	1,995	35,848
Changes in Assets and Liabilities:			
Accounts Receivable	442	686	(13,761)
Notes Receivable	(284)	(108)	(3,766)
Inventories	(22)	(59)	(181)
Prepaid Expenses	22	6	(515)
Accounts Payable and Accrued Liabilities	(88)	(2,076)	(9,044)
Long-Term Liabilities	24	(213)	(7,873)
Deposits	(25)	(1)	7
Deferred Revenue	73	107	10,082
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (14,327)</b>	<b>\$ (22,938)</b>	<b>\$ (210,093)</b>

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

Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 78	\$ -	\$ -
Capital Assets Acquired by Gifts in Kind	-	44	3,576
Decrease in Fair Value of Investments Recognized as a Component of Investment Activity	-	-	-

Portland State University	Southern Oregon University	University of Oregon	Western Oregon University	Chancellor's Office	Eliminations	Total OUS
\$ (64,927)	\$ (23,049)	\$ (124,743)	\$ (19,459)	\$ (11,805)		\$ (505,576)
14,976	3,710	28,687	3,408	141		91,724
(6,766)	(1,050)	(18,246)	1,328	60		(37,307)
304	(55)	4,711	113	-		915
(91)	(84)	103	242	-		(92)
(565)	33	(1,249)	(158)	(2,619)		(5,045)
3,545	(826)	6,427	1,093	5,876		4,907
1,870	407	(4,523)	(37)	14,453		4,108
25	6	(2)	-	(1)		9
2,057	478	2,075	(2,183)	(296)		12,393
<b>\$ (49,572)</b>	<b>\$ (20,430)</b>	<b>\$ (106,760)</b>	<b>\$ (15,653)</b>	<b>\$ 5,809</b>	<b>\$ -</b>	<b>\$ (433,964)</b>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78
97	989	2,459	-	-	-	7,165
-	-	-	-	-	(8,514)	(8,514)

---

[This page intentionally left blank.]

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Oregon State Board of Higher Education  
Eugene, Oregon

Oregon Secretary of State Audits Division  
Salem, Oregon

We have audited the financial statements of the Oregon University System (System) and its aggregate discretely presented component units as of and for the year ended June 30, 2009 which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of 6 of the 8 discretely presented component units as described in our report on the System's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal control over financial reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

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

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We communicated other matters which were noted during the course of our audit to management of the System, the Oregon State Board of Higher Education, and the Oregon Secretary of State Audits Division.

This report is intended solely for the information and use of the Oregon State Board of Higher Education, Oregon Secretary of State Audits Division, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Eugene, Oregon  
November 11, 2009





OREGON UNIVERSITY SYSTEM  
WWW.OUS.EDU  
541-737-3636

OFFICE OF THE CHANCELLOR  
CONTROLLER'S DIVISION  
PO BOX 488  
CORVALLIS, OR  
97339-0488

© 2009 OREGON UNIVERSITY SYSTEM