



Oregon  
University  
System

January 16, 2003

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State Board of Higher Education  
Oregon University System  
Eugene, Oregon 97403-0175

We are pleased to submit the Annual Financial Statements of the Oregon University System (OUS) for the fiscal year ended June 30, 2002. OUS management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The financial information contained in this report is presented in conformity with the reporting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 35 "Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities." The financial statements were audited by Moss Adams LLP under contract to the Secretary of State, Audits Division.

We appreciate the assistance and cooperation we have received from many individuals in the preparation of this report. Should you have any questions regarding the attached financial statements, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard S. Jarvis".

Dr. Richard S. Jarvis  
Chancellor

A handwritten signature in black ink, appearing to read "Thomas K. Anderes".

Dr. Thomas K. Anderes  
Vice Chancellor for Finance and Administration

A handwritten signature in black ink, appearing to read "Michael J. Green".

Michael J. Green, CPA  
Controller

OFFICE OF THE  
SECRETARY OF STATE  
Bill Bradbury  
Secretary of State



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*Auditing for a Better Oregon*

The Honorable Ted Kulongoski  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97310-4047

Oregon State Board of Higher Education  
Eugene, Oregon 97403-0175

This report contains the Oregon University System's audited financial statements and report on compliance and internal control over financial reporting. The audit, performed by Moss Adams LLP for the Oregon Audits Division, encompasses the year ended June 30, 2002.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Cathy Pollino".

Cathy Pollino  
Director

OREGON UNIVERSITY SYSTEM  
ANNUAL FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

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## GENERAL STATEMENT

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

The Board, from its inception, has maintained for the institutions a program allocation policy which is based on an analysis of need and budgetary considerations. The purpose of this policy is to provide students the fullest range of programs possible without unnecessary or wasteful duplication among the institutions.

The chief administrative officer, the chancellor, directs and integrates OUS and is responsible for implementing the Board's decisions and policies. The presidents of the seven institutions are members of the chancellor's executive staff.

OUS offers a broad learning and training experience through its seven institutions and numerous off-campus instructional centers. Opportunities for general education are distributed as widely as possible throughout the state, while specialized, professional, and technical programs are centered at specific institutions.

The three principal functions of the public higher education system - instruction, research, and public service - play a vital role in the economic and intellectual growth of the state, as well as in the health and well-being of its citizens. While the primary purpose of Oregon's seven public institutions of higher learning is instruction, each institution provides to the people of the state a considerable range of benefits through efforts and activities in research and public service. These partnership arrangements with cities, counties, state and federal governmental agencies, and public and private groups provide extensive agricultural, economic, and industrial services that help a major portion of the state's population, either directly or indirectly. The services include, among others, agricultural and forestry research, county extension, 4H, and youth programs.

Funds for support of public higher education are provided through state and federal appropriations; student tuition; sales and service fees; and gifts, grants, and contracts.

OUS financial accounting records are maintained in accordance with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers in the *Financial Accounting and Reporting Manual for Higher Education*, the American Institute of Certified Public Accountants in *Audits of Colleges and Universities*, and applicable pronouncements of the Governmental Accounting Standards Board (GASB). OUS has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. OUS has elected not to apply FASB pronouncements issued after the applicable date.

The financial statements of the Oregon University System have been audited by Moss Adams LLP, Independent Public Accountants.

# Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Oregon University System for the year ended June 30, 2002. The Oregon University System (OUS) comprises the following four-year public universities: Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, University of Oregon, and Western Oregon University.

## Overview of the Financial Statements

The Governmental Accounting Standards Board (GASB) establishes standards for the preparation of public college and university financial statements. During fiscal year 2002, OUS adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38.

The OUS accounting records are divided into nine major fund groups (current unrestricted funds, current restricted funds, loan funds, endowment funds, unexpended plant funds, renewal and replacement funds, retirement of indebtedness funds, investment in plant funds, and agency funds). These fund groups have varying restrictions on how those funds may be used. In prior years, the OUS financial statements were presented based on these major fund groups. Financial statements prepared in accordance with GASB No. 35 report amounts in aggregate, not by major fund group.

Implementing GASB No. 35 has also changed the accounting for capital assets. Purchases of capital assets, such as equipment, are no longer expensed in the year of purchase; they are instead capitalized and then expensed over multiple years through the accrual of depreciation. Likewise, in financing the purchase of capital assets, bond proceeds are no longer included as revenue and the principal portion of bond repayments are no longer included with expenses.

Due to these and other significant changes described below, the OUS financial statements under GASB No. 35 are not comparable to prior year financial statements. Because it is impractical to restate the prior year financial statements, only certain significant changes and amounts are described in this analysis. In future years, OUS will present year-to-year comparative data and analyses.

In accordance with GASB No. 35, the financial activity of OUS is presented in three financial statements:

Statement of Net Assets

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

Statement of Cash Flows

**Statement of Net Assets**

The Statement of Net Assets presents OUS assets and liabilities under the accrual method basis of accounting. The term "Net Assets" refers to the difference between total assets and total liabilities, and is an indicator of OUS's current financial condition.

The following summarizes OUS assets and liabilities at June 30, 2002:

Assets	
Current assets	\$ 404,586,147
Capital assets, net	753,060,936
Other noncurrent assets	481,795,123
Total Assets	<u>\$ 1,639,442,206</u>
Liabilities	
Current Liabilities	241,467,684
Noncurrent Liabilities	641,365,177
Total Liabilities	<u>\$ 882,832,861</u>
Net Assets	
Invested in Capital Assets, net of debt	134,636,834
Restricted - nonexpendable	14,444,078
Restricted - expendable	484,115,919
Unrestricted	123,412,514
Total Net Assets	<u>\$ 756,609,345</u>

**Comparison of Total Assets to Total Liabilities**

At June 30, 2002, OUS had total assets of \$1,639 million and total liabilities of \$882 million, leaving total net assets of \$757 million.

**Current and Noncurrent Assets and Liabilities**

GASB No. 35 requires dividing assets and liabilities into current and noncurrent categories. Current assets are assets that are currently available, or will become available within the next fiscal year, for the payment of expenses or liquidation of liabilities. Current liabilities are amounts owed that OUS expects to repay within the next fiscal year. Noncurrent assets are not readily spendable in the next year; are often restricted for specific purposes, such as capital construction, and debt service; and also include the cost, less the accumulated depreciation, of land, buildings, equipment, and other capital assets. Noncurrent liabilities are liabilities that are not due for payment until after the next fiscal year.

**Cash and Cash Equivalents**

Cash and cash equivalent balances at June 30, 2002, comprised the following by major fund group:

Unrestricted Funds	\$	154,283,786
Restricted Funds		5,131,176
Student Loan Funds		9,649,888
Endowment Funds		797,234
Unexpended Plant Funds		231,626,568
Renewal & Replacement Funds		38,565,690
Debt Retirement Funds		54,638,877
Investment in Plant Funds		88,708
Agency Funds		22,529,926
Total	\$	<u>517,311,853</u>

Of the cash and cash equivalents balances above, \$308,795,372 is restricted for capital construction (unexpended plant funds), debt repayment, and agency funds.

**Accumulated Depreciation**

Prior to GASB No. 35, OUS did not record depreciation expense or accumulated depreciation on capital assets. In accordance with GASB No. 35, OUS recorded accumulated depreciation as of July 1, 2001, and began recording depreciation as an annual expense during the year ended June 30, 2002.

**Liabilities**

The largest component of OUS liabilities is bonded indebtedness pertaining to capital construction projects. Most bonded indebtedness is Oregon Constitution "XI-G" bonds that are repaid from state government appropriations or Oregon Constitution "XI-F" bonds which are used to construct and improve auxiliary enterprise facilities, such as campus housing, parking, intercollegiate athletics, etc., that are repaid from revenues generated by the related auxiliary enterprise activity.

In FY 2002, OUS issued bonded indebtedness as follows:

XI-F(1) Bonds Series 2001A, \$156,196,151, effective rate of 4.95%, for capital construction and current refunding of bonds.

XI-G Bonds Series 2001 B & C, \$39,891,292, effective rate of 5.0%, for capital construction.

In FY 2002, The Department of Administrative Services issued Lottery Bonds and Certificates of Participation with a portion of the proceeds to be used by OUS:

Lottery Bonds, Series 2002A, \$9,732,000, effective rate of 4.84%, for capital construction.

Certificates of Participation, Series 2002D, \$3,518,481, effective rate of 4.13%, for technology upgrades.

MANAGEMENT'S DISCUSSION AND ANALYSIS -- Continued

The interest rates on the bonds depend on the market conditions at the time the bonds are issued. On occasion, depending on market conditions, it is advantageous to issue new bonds at lower interest rates to refund older bonds with higher interest rates. A portion of the XI-F(1) bonds issued in FY2002 were used to partially refund series 1990A and 1990B and totally refund series 1991.

For additional information related to bonded indebtedness, see note 9 in the Notes to the Financial Statements.

**Net Assets**

The following schedule delineates the net assets of OUS at June 30, 2002:

	Amount	Percent
Invested in Capital Assets, Net of Debt	\$ 134,636,834	18%
Restricted for:		
Nonexpendable Endowments	14,444,078	2%
Expendable Gifts, Grants, and Contracts	83,850,674	11%
Expendable Student Loans	83,702,799	11%
Expendable Capital Projects	274,318,193	36%
Expendable Debt Service	42,244,253	6%
Unrestricted Net Assets	123,412,514	16%
Total	\$ 756,609,345	100%

Of the \$757 million in net assets, 16% is unrestricted and available for general ongoing operations. Approximately 42% comprises monies that are restricted for capital construction or repayments of bonds, and 18% represents net investment in capital assets. The remaining 24% is restricted to endowments (which may not be spent), student loan programs, and gifts, grants and contracts.

Net asset categories are further defined in the summary of significant accounting policies in the Notes to the Financial Statements.

**New Capital Construction**

OUS buildings total 21 million gross square feet (gsf). OUS is committed to a comprehensive program of new major capital initiatives combined with a comprehensive approach to facility maintenance which includes addressing current maintenance needs and minimizing OUS's deferred maintenance backlog. State, private, borrowed, and internal OUS funding combine to accomplish OUS's capital objectives.

For the seven campuses, new buildings completed during fiscal year 2002 include the Portland State University Urban Center and the Southern Oregon University Center for Visual Arts. Facilities under construction total approximately 856,000 gsf, including projects funded from State capital appropriations, private gifts, bonds, and internal funds.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the results of OUS revenue and expense activity. The following summarizes the activity for fiscal year 2002:

Operating Revenues	\$ 1,105,517,764
Operating Expenses	<u>(1,527,221,606)</u>
Operating Loss	(421,703,842)
Nonoperating Revenues (Expenses)	432,873,497
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	11,169,655
Other Revenues, Expenses, Gains or Losses	103,145,619
Increase in Net Assets	<u>\$ 114,315,274</u>
Net Assets at Beginning of Year	1,630,303,623
Cumulative Effect of Change in Accounting Principle	(988,009,552)
Net Assets at End of Year	<u><u>\$ 756,609,345</u></u>

**Increase in Net Assets**

For the year ended June 30, 2002, OUS revenues exceeded expenses which resulted in a \$114.3 million increase to net assets. The net increase is not the result of general operations. The increase is primarily attributable to grants and gifts received for capital construction projects and the GASB No. 35 change in the accounting for purchases of capital assets from expenditures to fixed assets (see below).

**Change in Accounting Principle**

GASB No. 35 recognizes that capital assets such as buildings and equipment depreciate over time. Depreciation, although not cash related, is an annual expense that must be taken into consideration in measuring the net increase or decrease to net assets. For the beginning of FY 2002, OUS estimated that the accumulated depreciation through June 30, 2001 for all capital assets was \$998 million.

In addition, OUS had assets in the form of library special collections of \$10.5 million that, as allowed under previous accounting principles, had never been added to the capital asset listings. These special collections were added to the June 30, 2001 capital asset listings.

The accrual of the accumulated depreciation and additional assets is a one-time adjustment that decreased the reported beginning net asset balance by 61% from \$1,630 million to \$642 million.

### Operating and Nonoperating Revenues

GASB No. 35 categorizes revenues and expenses into operating and nonoperating. This distinction is important because such classification of revenues and expenses directly impacts the operating results reported by OUS.

Operating revenues generally result from “exchange” transactions, where the customer providing OUS with the revenue receives something of equal or similar value. An example would be student tuition and fees. Nonoperating revenues, such as gifts, are generally considered “non-exchange” transactions. Under GASB No. 35, state appropriations are considered nonoperating revenues.

OUS relies on state appropriations, combined with student tuition and fees, to provide instruction to students. However, since state appropriations are considered “nonoperating” revenues, an operating loss results.

### Operating Expenses

GASB No. 35 gives financial reporting entities the choice of reporting operating expenses by functional or natural classifications. OUS chose to report operating expenses by their functional categories on the face of the statement. The following displays operating expenses by natural category:

Salaries and Wages	\$	816,838,979
Services and Supplies		623,665,004
Cost of Goods Sold		29,096,400
Distributions to Other Governments		1,406,091
Depreciation and Amortization		55,472,106
Bad Debt Expense		743,026
Total	<u>\$</u>	<u>1,527,221,606</u>

### Other Nonoperating Revenues and Expenses

In addition to government appropriations, OUS also receives gifts, support from university foundations, and investment earnings. Amounts received from university foundations that are not specific to capital construction are included in Other Nonoperating Items.

### Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets

OUS reported a \$11.2 million gain after both operating and nonoperating revenues and expenses, but before revenues restricted to capital construction projects.

### Capital Appropriations, Grants, Gifts, and Contributions

For FY 2002, OUS received capital appropriations, grants and gifts of approximately \$100 million that were restricted to capital construction.

## Statement of Cash Flows

The Statement of Cash Flows presents information on the changes in OUS cash and cash equivalents balances during the fiscal year. The statement classifies sources and uses of cash and cash equivalents into the following categories, as defined in GASB No. 9:

Cash Flows from Operating Activities	
Total Sources	\$ 1,128,974,076
Total Uses	(1,471,630,166)
Net Cash Provided (Used) by Operating Activities	<u>(342,656,090)</u>
Cash Flows from Noncapital Financing Activities	
Government Appropriations	395,154,230
Gifts	53,869,542
Other	(53,352)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>448,970,420</u>
Cash Flows from Capital and Related Financing Activities	
Capital Appropriations, Grants, Gifts, Contributions Received	100,485,678
Net Sales (Purchases) of Capital Assets	(154,149,863)
Net Proceeds from Debt Issues	212,605,297
Principal Payments and Interest Payments of Capital Debt	(76,560,307)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>82,380,805</u>
Cash Flows from Investing Activities	
Net Sales and Interest (Purchases) of Investments	19,390,319
Net Securities Lending Transactions	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>19,390,319</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 208,085,454
Cash and Cash Equivalents, Beginning of Year	309,226,399
Cash and Cash Equivalents, End of Year	<u>\$ 517,311,853</u>

The Statement of Cash Flows reports the cash receipts and cash payments throughout the year. The statement does not include revenues that are earned but not yet received, expenses that are incurred but not yet paid, or expenses that are non-cash in nature, such as depreciation. As a result, the net increase(decrease) in cash does not agree to the net increase(decrease) in net assets.

### Increase in Cash and Cash Equivalents

Cash increased by \$208 million in FY 2002. A significant portion of the increase was due to bond proceeds, grants, and gifts received for capital construction projects that are currently in progress.

### **Net Cash Provided (Used) by Operating Activities**

Total cash spent for operations exceeded cash received by \$343 million. This decrease in cash was expected because OUS relies on monies received through state appropriations, which, per GASB No. 35., are considered to be "nonoperating."

The \$343 million cash decrease from operations differs from the \$422 million operating loss because the operating loss takes into consideration the changes in receivables and payables and includes non-cash items, such as the \$55 million in FY 2002 depreciation expense. A reconciliation of the cash decrease and loss from operations is at the bottom of the Statement of Cash Flows.

### **Economic Outlook**

The funding for the major activities of OUS comes from a variety of sources; namely tuition and fees, financial aid programs, state and federal appropriations, and gifts, grants and contracts. Significant revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and capital costs.

State appropriations are made by the Legislature on a biennial basis. We have just completed the first year of the current biennium; however, the appropriations to OUS for the 2001-2003 biennium may not be finalized. Since July 2002, the Legislature has had five special sessions and has a temporary income tax measure on the January 2003 ballot, the results of which may affect the 2001-2003 biennial appropriations.

Given the current condition of Oregon's economy, uncertainties exist in the level of state appropriations that can be expected in future biennia. Should the level of state funding further decline, increases in tuition and fees may be necessary to maintain quality programs and offset the costs of increased enrollments. The level of tuition and fees currently charged relative to other institutions in the region may make significant tuition and fee increases impractical as enrollment may suffer and access to our programs may be restricted. It is with this in mind that the OUS has launched an effort to secure a more stable funding commitment and greater administrative flexibility from the State. More information on this initiative can be found on our Web site at <http://www.ous.edu/thedeal>.

Research volume on OUS campuses remains strong, which, coupled with efforts at increasing technology transfer activities, may help ensure stability and achieve growth in grant and contract revenues, along with increased cost recoveries. The level of cost recovery from the federal government hinges on obtaining/maintaining stability in the negotiated cost recovery rate. Recent trends indicate downward pressure in recovery rates that may serve to offset any volume-related increases.

OUS campuses have increasingly looked to outside donors for funding significant portions of capital projects, as well as supporting operations. Improvements in the levels of gift revenues have been made over the past several years. Given Oregon's current economic condition, it is uncertain whether we can anticipate continued growth and stability from this revenue source.

The major anticipated operating cost driver is expected to be enrollment, which is projected to continue to increase. Should state funding levels, coupled with tuition and

## MANAGEMENT'S DISCUSSION AND ANALYSIS -- Continued

fees, become more stable in relation to enrollment, we can expect to see increases in operating expenses. However, in the event of declines in state revenues without offsetting tuition and fee increases, the projected increases in enrollment may be reduced, which may limit operating cost increases.

Compensation continues to be an issue for the ability of OUS to attract and retain a quality workforce. Accordingly, there will be continued interest to increase salaries and benefits in order to help ensure retention of top talent and, as a result, help ensure the continued quality of our educational programs. The experience of the last several years, as well as industry projections, points to continued increases in the costs necessary to maintain the current level of employee benefits. Additionally, given the current economic condition, OUS required contributions to the Public Employees Retirement System (PERS) may increase.

**INDEPENDENT AUDITORS' 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 (the System) as of and for the year ended June 30, 2002, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Oregon University System as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statements and Note Disclosures*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the Oregon University System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other additional information listed in the table of contents is presented for purposes of additional analysis and is 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 15, 2002



Oregon  
University  
System

**Oregon University System**  
**STATEMENT OF NET ASSETS**  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$208,516,481
Short-term Investments	9,249,800
Securities Lending Cash Collateral	48,696,419
Accounts Receivable, Net	95,316,721
Current Notes Receivable, Net	24,702,145
Inventories	6,357,399
Prepaid Expenses	11,747,182
<b>Total Current Assets</b>	<u>404,586,147</u>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	308,795,372
Long-term Investments - Restricted	62,209,541
Noncurrent Notes Receivable, Net	110,790,210
Land	48,562,396
Buildings	980,878,691
Improvements Other Than Buildings	42,856,487
Equipment	241,376,759
Library	255,902,752
Infrastructure	29,316,681
Collections	57,864,225
Construction in Progress	127,516,598
Accumulated Depreciation	(1,031,213,653)
<b>Total Noncurrent Assets</b>	<u>1,234,856,059</u>
<b>TOTAL ASSETS</b>	<u><b>1,639,442,206</b></u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	64,195,129
Salaries and Wages Payable	6,996,326
Deposits	8,571,804
Obligations Under Security Lending	48,696,419
Matured Bonds, COPS & Interest Payable	2,374,072
Current Portion of Capital Leases	294,166
Current Portion of Notes Payable	19,172
Current Portion of COPS Payable	3,205,587
Current Portion of Bonds Payable	25,649,250
Current Portion of SELP Loans Payable	1,059,971
Deferred Revenue	52,809,939
Current Portion of Compensated Absences	27,595,849
<b>Total Current Liabilities</b>	<u>241,467,684</u>
Noncurrent Liabilities	
Noncurrent Capital Leases	573,951
Noncurrent Notes Payable	10,020,739
Noncurrent COPS Payable	7,925,926
Noncurrent Bonds Payable	604,557,242
Noncurrent SELP Loans Payable	13,473,121
Noncurrent Compensated Absences	2,185,795
Noncurrent Other Liabilities	2,628,403
<b>Total Noncurrent Liabilities</b>	<u>641,365,177</u>
<b>TOTAL LIABILITIES</b>	<u><b>882,832,861</b></u>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	134,636,834
Restricted For:	
Nonexpendable Endowments	14,444,078
Expendable Gifts, Grants, and Contracts	83,850,674
Expendable Student Loans	83,702,799
Expendable Capital Projects	274,318,193
Expendable Debt Service	42,244,253
Unrestricted Net Assets	123,412,514
<b>TOTAL NET ASSETS</b>	<u><b>\$756,609,345</b></u>

See Accompanying Notes to the Financial Statements

**Oregon University System**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

**Operating Revenues**

Student Tuition & Fees (Net of Scholarship Allowance of \$53,411,379)	\$335,413,076
Grants & Contracts - Federal	445,667,601
Grants & Contracts - State & Local	24,743,493
Grants & Contracts - Nongovernmental	47,021,577
Educational Department Sales & Services	46,862,143
Housing & Food Services Revenues (Net of Scholarship Allowance of \$6,494,787)	65,014,193
Athletics, Events, & Performances	42,585,690
Other Auxiliary Enterprise Revenues	37,152,376
Indirect Cost Recovery	39,354,035
Revenues From Other Oregon Agencies	8,020,614
Other Operating Revenues	13,682,966
<b>Total Operating Revenues</b>	<b><u>1,105,517,764</u></b>

**Operating Expenses**

Instruction	380,324,652
Research	223,688,140
Public Service	95,197,249
Academic Support	86,476,715
Student Services	45,596,975
Auxiliary Programs	196,970,993
Operation & Maintenance of Plant	53,178,334
Institutional Support	99,534,668
Service Departments	3,657,765
Student Aid	267,581,289
Other Operating Expenses	75,014,826
<b>Total Operating Expenses</b>	<b><u>1,527,221,606</u></b>

<b>Operating Income (Loss)</b>	<b><u>(421,703,842)</u></b>
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**Nonoperating Revenues (Expenses)**

Government Appropriations	395,154,230
Investment Activity	8,600,975
Gain (Loss) on Disposal of Assets	300,416
Interest Expense	(25,350,978)
Other Nonoperating Items	54,168,854
<b>Net Nonoperating Revenues</b>	<b><u>432,873,497</u></b>

<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b><u>11,169,655</u></b>
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Capital Appropriations	15,916,476
Capital Grants and Gifts	85,981,996
Capital Contributions	649,143
Additions to Permanent Endowments	598,004
<b>Total Other Items</b>	<b><u>103,145,619</u></b>

<b>Increase (Decrease) in Net Assets</b>	<b><u>114,315,274</u></b>
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<b>Net Assets - Beginning Balance From Prior Year</b>	<b>1,630,303,623</b>
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<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(988,009,552)</b>
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<b>Net Assets - End of Year</b>	<b><u>\$756,609,345</u></b>
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See Accompanying Notes to the Financial Statements

**Oregon University System  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2002**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$338,320,623
Grants and Contracts	514,622,252
Sales and Services of Educational Activities	52,822,364
Auxiliary Enterprise Operations:	
Housing	64,742,216
Intercollegiate Athletics	48,858,988
Other Auxiliary Enterprises	36,600,610
Student Loan Collections	12,028,943
Payments to Employees for Salaries and Benefits	(816,308,233)
Payments to Suppliers	(643,122,766)
Transfers from Other State Agencies	8,020,613
Student Loan Issuance and Costs	(12,199,167)
Other Operating Receipts	52,957,467
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(342,656,090)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Government Appropriations	395,154,230
Private Gifts Received for Endowment Purposes	598,004
Other Gifts and Private Contracts	53,271,538
Net Agency Receipts (Payments)	(53,352)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>448,970,420</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	15,916,476
Capital Grants and Gifts	83,920,059
Capital Contributions	649,143
Bond Proceeds on Capital Debt	212,605,297
Sales of Capital Assets	5,518,326
Purchase of Capital Assets	(159,668,189)
Interest Payments on Capital Debt	(25,350,980)
Principal Payments on Capital Debt	(51,209,327)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>82,380,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sales of Investments	10,789,350
Interest on Investments and Cash Balances	8,600,969
Interest Income from Securities Lending	339,824
Interest Expense from Securities Lending	(339,824)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>19,390,319</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>208,085,454</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	309,226,399
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$517,311,853</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	(\$421,703,842)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	55,472,106
Changes in Assets and Liabilities	
Accounts Receivable	3,286,413
Notes Receivable	(7,345,079)
Inventories	(568,914)
Prepaid Expenses	(477,255)
Accounts Payable	14,177,025
Notes Payable	26,658
Salaries and Wages Payable	290,154
Deposits	5,871,931
Deferred Revenue	8,074,121
Liability for Compensated Absences	240,592
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$342,656,090)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Fixed Assets Acquired by Incurring Capital Lease Obligations	\$184,668
Change in Fair Value of Investments Recognized as a Component of Interest Income	6,121,382

See Accompanying Notes to the Financial Statements

## NOTES TO FINANCIAL STATEMENTS

Oregon University System

For the Year Ended June 30, 2002

### 1. Summary of Significant Accounting Policies

#### Reporting Entity

The Oregon University System (OUS), comprising seven four-year public universities, offers high-quality educational opportunities to students from around the world. OUS is governed by the Oregon State Board of Higher Education (Board).

The OUS financial reporting entity includes the accounts of Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, University of Oregon, Western Oregon University, and the Chancellor's Office. The operations of most student government or associated student organizations are also included in the reporting entity because OUS universities have certain fiduciary responsibilities for these organizations. Organizations that are not financially accountable to OUS universities, such as campus foundations and booster and alumni organizations, are not included in the reporting entity.

OUS is a component unit of the State of Oregon and is included in the general-purpose financial statements of the State of Oregon.

#### Financial Statement Presentation

OUS has implemented GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* effective for the year ended June 30, 2002. This implementation has resulted in significant changes to the captions of previously issued financial statements.

The financial statement presentation required by GASB Statement No. 35 provides a comprehensive, entity-wide perspective of OUS assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows; and replaces the fund-group perspective previously required.

In preparing the financial statements, significant interfund transactions and balances between universities and funds within each university have been eliminated.

The financial statements also include adoption of GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statements and Note Disclosures*. Adoption of these pronouncements affected disclosures but had no effect on amounts reported in the financial statements.

#### Accounting Changes

To implement GASB Statement No. 35, OUS has adopted certain changes in accounting principles. In addition to establishing a fundamentally new financial reporting model for public universities, GASB No. 35 requires depreciation of capital assets and capitalization of library special collections. Net assets at July 1, 2001 have been reduced by \$988,009,552 for the cumulative effect of this change on years prior to fiscal year 2002.

### **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 Financial Accounting Standards Board (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.

### **Cash and Cash Equivalents**

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: Cash on hand; cash and investments held by the State Treasury in the Oregon Short-Term Fund; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

Cash and cash equivalents that are restricted for endowments, debt service, capital construction, and agency funds are classified as noncurrent assets in the statement of net assets.

The Statement of Cash Flows includes both current cash and cash equivalents and noncurrent cash and cash equivalents-restricted.

### **Investments**

Investments are reported at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains (losses) on investments are reported as investment activity in the statements of revenues, expenses, and changes in net assets.

Investments that are restricted for endowments, debt service, capital construction, and agency funds are classified as noncurrent assets in the statement of net assets.

### **Inventories**

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

### **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 renovations to buildings, infrastructure, and land improvements that significantly increase the value

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

or extend the useful life of the structure. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method, with no estimated salvage value, over the estimated useful lives of the assets, generally 15 to 40 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.

### **Deferred Revenues**

Deferred revenues include amounts received for tuition and fees and auxiliary enterprise activities that relate to the subsequent fiscal year, and amounts received from grant and contract sponsors that have not yet been earned.

### **Noncurrent Liabilities**

Noncurrent liabilities include principal amounts of bonds, notes payable, and loans payable; and other accounts payable, that are payable beyond one year from the date of the Statement of Net Assets.

### **Net Assets**

OUS net assets are classified as follows:

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

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

#### Restricted net assets – nonexpendable

Nonexpendable restricted 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 in which OUS is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

#### Unrestricted net assets

Unrestricted net assets are resources that may be used at the discretion of the Board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, OUS general practice is to first apply the expense towards unrestricted resources, and then towards restricted resources.

### **Income Taxes**

OUS is an agency of the State of Oregon 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 which is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded because, in the opinion of management, taxes on unrelated business income do not have a material effect on the financial statements.

### **Classification of Revenues**

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

Operating revenues have the characteristics of exchange transactions, as defined in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Examples 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.

Nonoperating revenues have the characteristics of nonexchange transactions, as defined in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Examples include state appropriations, gifts, and contributions.

### **Scholarship Allowances**

Student tuition and fees and campus housing revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. Examples include tuition waivers and the revenues from financial aid programs (e.g., Pell, SEOG, and State Need Grants) used for paying student tuition and fees and campus housing.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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.

### **New GASB Statements**

OUS is evaluating the impact that will result from adopting GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement, effective for periods beginning after June 15, 2003, will broaden the definition of the OUS financial reporting entity to include material affiliated organizations such as University Foundations. The impact will increase the net assets of the OUS financial reporting

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

entity. At this time, OUS is unable to determine the full impact that adopting GASB No. 39 will have on its financial position and results of operations.

## 2. Cash and Investments

### Cash & Cash Equivalents

OUS maintains its cash balances on deposit with the State Treasurer. The State Treasurer maintains these and other state funds on a pooled basis. At year end, OUS carrying amount of cash and cash equivalents was \$514,937,781 and the State Treasury balance was \$523,245,068. All deposits are fully insured by federal depository insurance or secured by the statewide collateral pool which secures public deposits pursuant to Oregon Revised Statutes.

OUS cash and cash equivalents outside the State Treasury comprise \$2,374,072 held in trust by a fiscal agent for bond principal and interest repayment of matured bonds.

### Investments

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

Investments are reported at fair value. Values are provided by the applicable investment trustee. OUS investments are classified in three categories of credit risk as of year end to give an indication of the level of risk assumed by OUS. The three categories of credit risk are:

- (1) Investments that are insured or registered or for which the securities are held by OUS or its agent in OUS's name.
- (2) Uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in OUS's name.
- (3) Uninsured or unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in OUS's name.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

Categorized investments include debt instruments with a maturity of less than 90 days; such investments may reflect a reported value based on cost rather than fair value. The following schedule presents the fair value of OUS investments as of June 30, 2002:

CATEGORY OF CREDIT RISK

Investment Type:	1	2	3	Reported Value	Fair Value
<b>Investments Categorized:</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 268,349	\$ 268,349	\$ 268,349
U.S. Government and Agency Securities	817,248	-	946,029	1,763,277	1,763,277
Domestic Equity Securities	5,467,181	-	-	5,467,181	5,467,181
International Equity	289,792	-	-	289,792	289,792
Real Estate Securities	645,656	-	-	645,656	645,656
<b>Total</b>	<b>\$ 7,219,877</b>	<b>\$ -</b>	<b>\$ 1,214,378</b>	<b>8,434,255</b>	<b>8,434,255</b>
<b>Investments Not Categorized:</b>					
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government and Agency Securities				43,889,882	43,889,882
Domestic Equity Securities				3,363,097	3,363,097
International Equity Securities				27,846	27,846
Securities lending short-term collateral investment pool				48,696,419	48,788,406
Real Estate				3,264,302	3,264,302
Pooled Investments				42,836,689	42,836,689
Guaranteed Investment Contracts				4,985,860	4,985,860
Other Investments				114,732	114,732
<b>Subtotal</b>				<b>155,613,082</b>	<b>155,705,069</b>
Less Amounts Recorded As Cash				(84,153,741)	(84,245,728)
<b>Total Investments</b>				<b>\$ 71,459,341</b>	<b>\$ 71,459,341</b>

**Derivative Financial Instruments**

The State Treasury manages OUS and other state agency funds on a pooled basis. To manage the overall risk of the pool, the State Treasurer may invest in derivative financial instruments. Information regarding State Treasury derivative holdings that pertain to the OUS portion of the pooled funds is not available.

**Securities Lending**

In accordance with the State investment policies, the Oregon State Treasury (OST) participates in securities lending transactions. Securities lending activity relating to investment securities owned by OUS and to OUS funds deposited into the Oregon State Treasury Short-Term Fund (OSTSTF) was as follows:

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

Securities Owned by OUS

The OST has, through a Securities Lending Agreement, authorized its custodian to lend OUS securities to broker-dealers and banks pursuant to a form of loan agreement. Both OST and the borrowers maintain the right to terminate all securities lending transactions on demand. There have been no significant violations of the provisions of the securities lending agreements.

During the year, the custodian lent OUS fixed income securities and received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to at least 102% percent of the fair value of the security on loan. The OST did not impose any restrictions during the year on the amount of loans of OUS fixed income securities. The OST is fully indemnified by the custodian against losses due to borrower default; there were no losses during the year from the failure of borrowers to return securities on loan.

The custodian is authorized by the Securities Lending Agreement to invest cash collateral received for securities loans in the Oregon Short-Term Investment Fund (Fund) held by the custodian. At June 30, 2002, the Fund had an average weighted maturity of 295 days. Since the securities loans are callable on demand by either the lender or borrower, the life of the loans at June 30, 2002 is effectively one day and consequently does not generally match the life of the investments in the Fund. The fair value of collateral held was \$12,319,276 (reported value of \$12,246,149); the fair value of OUS securities on loan at June 30, 2002 was \$11,823,495. Thus, OUS had no credit risk exposure to borrowers. The collateral is reflected as securities lending cash collateral and the resulting obligation is included in obligations under securities lending in the financial statements.

OUS Deposits in Oregon State Treasury Short-Term Fund (OSTSTF)

OUS deposits funds into the OSTSTF, which participates in a securities lending program. In accordance with State investment and accounting policies, OUS is allocated a portion of the State's transactions in securities lending activities. The OST has, through a Securities Lending Agreement, authorized its custodian to lend the OST securities to broker-dealers and banks pursuant to a form of loan agreement. Both OST and the borrowers maintain the right to terminate all securities lending transactions on demand. There have been no significant violations of the provisions of securities lending agreements.

During the year, the custodian lent OST securities and received as collateral U.S. dollar-denominated cash or securities issued or guaranteed by the United States government, or foreign sovereign debt securities of Organisation for Economic Co-operation and Development (OECD) countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security, or 105 percent in the case of international securities. The custodians did not have the ability to pledge or sell collateral securities absent a borrower default and the OST did not impose

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. The OST is fully indemnified by the custodian against losses due to borrower default; there were no losses during the year from the failure of borrowers to return securities on loan.

The cash collateral was invested by the OST into U.S. Government and Agency Securities, repurchase agreements, and commercial paper. The maturities of these investments made during the year generally did not match the maturities of their securities loans, because the loans were terminable at will. OUS cash deposits invested in the OSTSTF are commingled with the cash deposits of other state agencies. As of June 30, 2002, the total cash collateral received for securities on loan was \$539,819,050; the fair value of all investments made with the cash collateral held by the OSTSTF was \$540,098,363 of which \$36,469,130 (reported value of \$36,450,270) was allocated to OUS. The fair value of securities on loan by the OSTSTF as of June 30, 2002 was \$525,113,868 of which \$35,457,330 was allocated to OUS. At June 30, 2002, the OST had no credit risk exposure to borrowers. The collateral is reflected as securities lending cash collateral and the resulting obligation is included in obligations under securities lending in the financial statements.

### 3. Accounts Receivable

Accounts Receivable comprised the following at June 30, 2002:

Student Tuition and Fees	\$	43,888,807
Auxiliary Enterprises and Other Operating Activities		11,400,837
Federal, State, and Private Gifts and Contracts		42,238,095
Other		4,118,826
		<hr/> 101,646,565
Less: Allowance for Doubtful Accounts		(6,329,844)
Net Accounts Receivable	<hr/> \$	<hr/> 95,316,721

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

**4. Notes Receivable**

Notes Receivable comprised the following at June 30, 2002:

	Current	NonCurrent	Total
Institutional Student Loans	\$ 7,275,169	\$ -	\$ 7,275,169
Federal Student Loans	14,128,868	63,516,891	77,645,759
Amounts Due from OHSU for Bond Indebtedness	6,921,716	47,273,319	54,195,035
	<u>\$ 28,325,753</u>	<u>\$ 110,790,210</u>	139,115,963
Less: Allowance for Doubtful Accounts			(3,623,608)
Net Notes Receivable			<u>\$ 135,492,355</u>

Student loans made through the federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2002. The program is funded through annual capital contributions from the federal government, an OUS match which is currently 33% of the federal capital contribution, and the interest earnings and repayment of loans. Under certain conditions the repayment of loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. Depending on the annual level of congressional appropriations, the federal government reimburses OUS up to 100% of both the principal and interest forgiven for loans originated prior to July 1, 1993, and up to 100% of only the principal forgiven for loans originating on or after July 1, 1993.

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, is sufficient to absorb loans that will ultimately be written off.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

**5. Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2002:

	Balance June 30, 2001	Additions	Transfers	Retirements	Balance June 30, 2002
Capital assets not being depreciated:					
Land	\$ 44,777,454	\$ 3,784,942	\$ -	\$ -	\$ 48,562,396
Capitalized collections	57,533,446	330,779	-	-	57,864,225
Construction in Progress	32,622,227	103,829,380	(8,935,009)	-	127,516,598
Total capital assets not being depreciated	<u>\$ 134,933,127</u>	<u>\$ 107,945,101</u>	<u>\$ (8,935,009)</u>	<u>\$ -</u>	<u>\$ 233,943,219</u>
Other capital assets:					
Equipment	232,483,145	32,186,415	-	(23,292,801)	241,376,759
Library materials	242,119,932	15,267,260	-	(1,484,440)	255,902,752
Buildings	966,865,418	5,354,127	8,935,009	(275,863)	980,878,691
Land Improvements	19,096,983	-	-	-	19,096,983
Improvements Other than Buildings	23,492,019	267,485	-	-	23,759,504
Infrastructure	29,071,929	244,752	-	-	29,316,681
Total other capital assets	<u>1,513,129,426</u>	<u>53,320,039</u>	<u>8,935,009</u>	<u>(25,053,104)</u>	<u>1,550,331,370</u>
Less accumulated depreciation for:					
Equipment	(174,973,007)	(19,319,832)	-	20,960,633	(173,332,206)
Library materials	(166,154,500)	(15,956,457)	-	1,484,440	(180,626,517)
Buildings	(616,423,491)	(17,021,475)	-	275,863	(633,169,103)
Land Improvements	(8,405,119)	(806,706)	-	-	(9,211,825)
Improvements Other than Buildings	(8,222,847)	(909,797)	-	-	(9,132,644)
Infrastructure	(24,283,520)	(1,457,838)	-	-	(25,741,358)
Total accumulated depreciation	<u>(998,462,484)</u>	<u>(55,472,105)</u>	<u>-</u>	<u>22,720,936</u>	<u>(1,031,213,653)</u>
Other capital assets, net	<u>\$ 514,666,942</u>	<u>\$ (2,152,066)</u>	<u>\$ 8,935,009</u>	<u>\$ (2,332,168)</u>	<u>\$ 519,117,717</u>
Capital Assets Summary					
Capital assets not being depreciated	\$ 134,933,127	\$ 107,945,101	\$ (8,935,009)	\$ -	\$ 233,943,219
Other capital assets, at cost	1,513,129,426	53,320,039	8,935,009	(25,053,104)	1,550,331,370
Total cost of capital assets	<u>1,648,062,553</u>	<u>161,265,140</u>	<u>-</u>	<u>(25,053,104)</u>	<u>1,784,274,589</u>
Less accumulated depreciation	<u>(998,462,484)</u>	<u>(55,472,105)</u>	<u>-</u>	<u>22,720,936</u>	<u>(1,031,213,653)</u>
Capital Assets, net	<u>\$ 649,600,069</u>	<u>\$ 105,793,035</u>	<u>\$ -</u>	<u>\$ (2,332,168)</u>	<u>\$ 753,060,936</u>

Depreciation expense for the year ended June 30, 2002, is reported as part of “Other Operating Expenses” in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

**6. Accounts Payable**

Accounts Payable comprised the following at June 30, 2002:

Services and Supplies	\$	37,146,306
Financial Aid		19,124
Payroll Related Expenses		2,614,191
Early Retirement Liability		2,357,413
Capital Construction		12,385,529
Contract Retainage Payable		1,090,104
Accrued Interest		8,215,623
Arbitrage		366,839
Total	<u>\$</u>	<u>64,195,129</u>

**7. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2002, was as follows:

	Balance, June 30, 2001	Additions	Reductions	Balance, June 30, 2002	Amounts due within one year
Capital Leases	\$ 1,311,864	\$ 184,668	\$ (628,415)	\$ 868,117	\$ 294,166
Lottery Bonds	-	9,972,433	(3,088)	9,969,345	-
Other Notes Payable	59,852	27,493	(16,779)	70,566	19,172
COPs	12,929,940	3,611,724	(5,410,151)	11,131,513	3,205,587
XI-F and XI-G Bonds	474,421,012	207,534,768	(51,749,288)	630,206,492	25,649,250
SELP Loans	15,089,353	737,017	(1,293,278)	14,533,092	1,059,971
Compensated Absences	29,541,052	5,884,735	(5,644,143)	29,781,644	27,595,849
Early Retirement Liability	6,360,584	-	(1,854,487)	4,506,097	2,357,413
Arbitrage	1,510,674	143,742	(807,858)	846,558	366,839
Total	<u>\$ 541,224,331</u>	<u>\$ 228,096,580</u>	<u>\$ (67,407,487)</u>	<u>\$ 701,913,424</u>	<u>\$ 60,548,247</u>

Additional information regarding bonds payable is included in Note 9. Additional information regarding capital lease obligations is included in Note 8.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

8. Leases

**Operating Leases**

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$1,399,481 for the year ended June 30, 2002. Minimum future rental payments on operating leases are:

For the Year Ending June 30, :		
2003	\$	1,577,859
2004		1,245,960
2005		1,001,443
2006		783,071
2007		303,632
2008-2012		43,239
2013-2017		27,000
2018-2022		27,000
2023-2027		27,000
2028-2032		27,000
2033-2037		27,000
2038-2042		27,000
2043-2047		21,600
Total Minimum Lease Payments	\$	<u>5,138,804</u>

**Capital Leases**

OUS has acquired certain equipment under various lease-purchase contracts and other capital lease agreements. The cost of OUS assets held under capital leases total \$2,695,806 as of June 30, 2002. Accumulated depreciation of leased equipment total \$1,987,840 for June 30, 2002.

These lease purchase (capital lease) contracts expire through fiscal year 2007. 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 4.9 percent to 14.7 percent.

Minimum future lease payments under capital leases are:

For the Year Ending June 30, :		
2003	\$	369,511
2004		294,755
2005		186,406
2006		100,065
2007		84,579
Total Minimum Lease Payments		<u>1,035,316</u>
Less: Amount representing interest		(167,199)
Present Value of Minimum Lease Payments	\$	<u>868,117</u>

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

**9. Bonds and Loans Payable**

OUS has the following types of bonds and notes payable:

**General Obligation Bonds**

XI-F(1) Bonds

Article XI-F(1) of the Oregon Constitution authorizes OUS to issue State of Oregon General Obligation Bonds to finance the construction of self-liquidating and self-supporting projects. General Obligation Bonds have been sold to finance the construction of dormitories, cafeterias, parking facilities, apartments for married students, student unions, student health service facilities, intercollegiate athletics facilities, and other student activity buildings and facilities.

The Board's Administrative Rules require sinking fund reserve balances based on a percentage of annual debt service as follows: 200 percent for bonds issued prior to July 1, 1986 and 100 percent for bonds issued after June 30, 1986. Article XI-F(1) bonds, with effective yields ranging from 1.9% to 7.5%, are due serially through 2032.

XI-G Bonds

Article XI-G of the Oregon Constitution authorizes OUS to issue State of Oregon General Obligation Bonds, with debt service funded by Legislative appropriation, to finance designated educational buildings and facilities. Article XI-G bonds, with effective yields ranging from 2.9% to 7.0%, are due serially through 2032.

The scheduled maturities of the XI-F and XI-G bonds are as follows:

For the Year Ending June 30, :	Principal	Interest	Total
2003	\$ 20,686,596	\$ 28,273,589	\$ 48,960,185
2004	25,312,276	28,142,509	53,454,785
2005	23,715,063	28,075,176	51,790,239
2006	23,089,974	27,929,512	51,019,486
2007	22,492,528	28,230,572	50,723,100
2008-2012	96,646,914	140,010,328	236,657,242
2013-2017	89,684,457	124,279,926	213,964,383
2018-2022	98,873,818	78,477,136	177,350,954
2023-2027	106,395,000	30,716,127	137,111,127
2028-2032	66,155,000	7,188,558	73,343,558
Subtotals	573,051,626	521,323,433	1,094,375,059
Add: Accreted Interest Payable	58,322,191		58,322,191
Less: Unamortized Bond Discounts	(1,167,325)		(1,167,325)
Total	\$ 630,206,492	\$ 521,323,433	\$ 1,151,529,925

NOTES TO FINANCIAL STATEMENTS – Continued  
 Oregon University System  
 For the Year Ended June 30, 2002

**Lottery Bonds**

In April, 2002, Series 2002A Lottery Bonds were issued pursuant to Oregon Revised Statutes (ORS) Chapters 286.560 to 286.580 and 348.716, and under the authority of ORS Chapter 942. \$9,732,000 of the net proceeds of the sale were used to help finance the Eastern Oregon University Regional Agricultural, Health and Life Sciences Building. Series 2002A Lottery Bonds are special obligations of the State, secured and payable from net revenues of the Oregon State Lottery. Each year an allocation of Oregon State Lottery Revenue will be received to pay the annual debt service on the Series 2002A bonds. OUS will make an annual payment to a trustee in accordance with the Interagency Agreement. The trustee will make the payment to the bondholders. The Series 2002A Lottery Bonds, with effective yields ranging from 2.9% to 5.07%, are due through fiscal year 2017-18.

The scheduled maturities of the lottery bonds are as follows:

For the Year Ending June 30, :	Principal	Interest	Total
2003	\$ -	\$ 468,141	\$ 468,141
2004	480,000	468,141	948,141
2005	490,000	453,741	943,741
2006	510,000	437,081	947,081
2007	526,000	417,956	943,956
2008-2012	2,994,000	1,728,513	4,722,513
2013-2017	3,836,000	890,287	4,726,287
2018-2022	896,000	48,106	944,106
Subtotals	9,732,000	4,911,966	14,643,966
Add: Unamortized Premium	237,345		237,345
Total	\$ 9,969,345	\$ 4,911,966	\$ 14,881,311

**Certificates of Participation**

Certificates of Participation (COPs) are issued to finance lease-purchase agreements for certain equipment and computer software. OUS makes monthly lease payments (principal and interest) to a trustee in accordance with the lease-purchase agreements. The trustee, in turn, makes the debt service payments to COPs holders. COPs, with effective yields ranging from 1.9% to 5.1%, are due through fiscal year 2007-08.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

The scheduled maturities of the COPs are as follows:

For the Year Ending June 30, :	Principal	Interest	Total
2003	\$ 3,205,000	\$ 472,217	\$ 3,677,217
2004	2,890,000	331,048	3,221,048
2005	1,697,061	179,418	1,876,479
2006	1,441,086	112,379	1,553,465
2007	894,258	55,148	949,406
2008-2012	931,576	18,632	950,208
Subtotals	11,058,981	1,168,842	12,227,823
Add: Unamortized Bond Premium	72,532		72,532
Total	\$ 11,131,513	\$ 1,168,842	\$ 12,300,355

### Oregon Department of Energy Loans

OUS has entered into State of Oregon Department of Energy Small Scale Energy Loan Program (SELP) loan agreements for energy conservation projects at OUS institutions. OUS makes monthly loan payments (principal and interest) to the Department of Energy in accordance with the loan agreements. SELP loans, with interest rates ranging from 5.7 percent to 8 percent, are due through 2019.

The scheduled maturities of the SELP loans are as follows:

For the Year Ending June 30, :	Principal	Interest	Total
2003	\$ 1,059,971	\$ 894,194	\$ 1,954,165
2004	1,121,147	826,393	1,947,540
2005	1,192,935	754,605	1,947,540
2006	1,269,379	678,161	1,947,540
2007	1,315,390	596,753	1,912,143
2008-2012	4,683,595	1,898,099	6,581,694
2013-2017	2,835,964	720,280	3,556,244
2018-2022	1,054,711	113,235	1,167,946
Total	\$ 14,533,092	\$ 6,481,720	\$ 21,014,812

### Other Loans Payable

OUS entered into a loan agreement for the purchase of land. Quarterly loan payments (principal and interest) of \$4,118 are made in accordance with the loan agreement. The loan bears interest at 6 percent and the final payment is due June 30, 2005.

OUS entered into a loan agreement for the purchase of a printing van. Monthly loan payments (principal and interest) of \$506 are made in

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

accordance with the loan agreement. The loan bears interest at 3.97 percent and the final payment is due May 1, 2007.

The scheduled maturities of the other loans payable are as follows:

For the Year Ending June 30, :	Principal	Interest	Total
2003	\$ 19,172	\$ 3,365	\$ 22,537
2004	20,321	2,216	22,537
2005	20,400	1,078	21,478
2006	5,757	314	6,071
2007	4,916	89	5,005
Total	<u>\$ 70,566</u>	<u>\$ 7,062</u>	<u>\$ 77,628</u>

### Debt Related to Oregon Health Sciences University

Prior to 1996, Oregon Health Sciences University (OHSU) was part of OUS. Pursuant to an act of the Oregon Legislature (the 1995 Act), OHSU became an independent public corporation. In connection with this change in status, responsibility for governing OHSU was transferred from the Board to a newly formed Board of Directors of OHSU. Consequently, OHSU is no longer included in the OUS financial statements.

The new public corporation was given ownership of all personal property related to OHSU; was granted exclusive care, custody, and control of the real property related to OHSU; and assumed liability for all outstanding indebtedness that OUS had incurred for the benefit of OHSU. Oregon Revised Statutes require OUS to maintain title to all real property acquired prior to OHSU's change in status. OHSU is leasing certain real property from OUS for a nominal amount; such real property has been transferred to OHSU and is excluded from the accompanying financial statements.

A receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU. At June 30, 2002, long-term debt of OUS that relates to OHSU is \$54,195,035.

### Defeased Debt

During the year ended June 30, 2002, OUS issued \$28,897,263 of XI-F bonds with an average interest rate of 4.73% to refund \$24,527,459 in XI-F bonds with an average interest rate of 6.86%. The net proceeds of the XI-F bonds were \$29,328,390 (after bond premium of \$715,717 and payment of \$284,590 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 \$83,445. The current refunding was undertaken to reduce total debt service payments over the next 17 years by \$7,734,204 and resulted in an economic gain of \$5,044,795.

In prior years, the System and OHSU defeased various bond issues by placing funds in an irrevocable trust to provide for all future debt service payments of the defeased

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

At June 30, 2002, the total amount of the defeased debt outstanding but removed from the financial statements amounted to \$78,694,164 of which \$12,689,164 relates to OHSU.

#### **Arbitrage Rebate Liability**

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. The total arbitrage rebate liability as of June 30, 2002 is \$846,558 and has been accrued in the financial statements as part of Accounts Payable and Other Noncurrent Liabilities.

#### **10. Endowments**

Investments of endowment funds are carried at fair value.

Endowment fund assets are pooled except for endowments having a fair value of \$3,273,954 and trust funds in which OUS has a remainder interest. The trust funds have been individually recorded at a \$1 nominal value in the investment accounts.

For pooled endowments, each fund subscribes to or disposes of units on the basis of the market value per unit as of the end of the preceding month in which the transaction occurred. Gains, losses, and adjustments on investment transactions of the State Treasurer are reflected in the financial statements. Pooled investments are managed through Barclays Global Investors, Batterymarch, The Commonfund, Western Asset Core Plus, and T. Rowe Price.

The net appreciation or depreciation of endowments is included in the investments activity caption of the Statement of Revenues, Expenses, and Changes in Net Assets. For the year ended June 30, 2002, the fair value of endowment investments depreciated by \$6.1 million. The loss reduced the accumulated gains but did not invade the corpus of the endowments.

Oregon Revised Statutes 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 5-year 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. Securities may be sold to provide for the income needs; however, the book value of endowments may not be invaded.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

Endowment funds, by institution, at June 30, 2002 are as follows:

	POOLED		SEPARATELY INVESTED		Totals
	Donor Restricted Endowment Funds	Quasi-Endowment Funds	Donor Restricted Endowment Funds	Quasi-Endowment Funds	
Eastern Oregon University	\$ 797,663	\$ 293,074	\$ -	\$ -	\$ 1,090,737
Oregon Institute of Technology	-	206,973	-	-	206,973
Oregon State University	1,876,065	23,832,397	3,199,747	-	28,908,211
Portland State University	1,318,074	531,687	1	-	1,849,762
Southern Oregon University	235,660	231,975	-	-	467,635
University of Oregon	17,392,006	5,083,069	74,206	-	22,549,286
Western Oregon University	7,249	46,739	-	-	53,988
Chancellor's Office	1,812,118	52,386	-	-	1,864,504
Total at Fair Value	\$23,438,835	\$30,278,300	\$3,273,954	\$7	\$56,991,096

In the Statement of Net Assets, amounts reported as restricted for nonexpendable endowments represent the original corpus of true endowment funds and not the accumulated gains of those endowments.

**11. Unrestricted Net Assets**

Unrestricted Net Assets comprised the following at June 30, 2002:

Budgeted & Designated Operating Funds	\$ 81,149,717
Service Department Funds	4,700,763
Housing Funds	8,149,879
Intercollegiate Activities Funds	(6,166,730)
Other Auxiliary Funds	29,657,309
Unrestricted Endowment Funds	5,921,576
Total	\$ 123,412,514

NOTES TO FINANCIAL STATEMENTS – Continued  
 Oregon University System  
 For the Year Ended June 30, 2002

**12. Government Appropriations**

Government appropriations comprised the following for the year ended June 30, 2002:

	General	Capital Construction	Total
State General Fund Appropriations	\$ 377,165,331	\$ 15,916,476	\$ 393,081,807
Sports Action Lottery	2,167,568		2,167,568
Total State Appropriations	379,332,899	15,916,476	395,249,375
Federal Appropriations	10,776,958		10,776,958
County Appropriations	5,044,373		5,044,373
Total Government Appropriations	\$ 395,154,230	\$ 15,916,476	\$ 411,070,706

Revenues received from federal, state, and local government grants and contracts and appropriations specific to capital construction are reported separately on the Statement of Revenues and Expenses and Changes in Net Assets.

**13. Employee Retirement Plans**

OUS offers various retirement plans to qualified employees as described below.

Oregon Public Employees Retirement Plan

The State of Oregon Public Employees Retirement System (PERS) is a cost-sharing multi-employer defined benefit plan administered by the Public Employees Retirement Board (Retirement Board) under the guidelines of Oregon Revised Statutes. 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 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 Oregon Revised Statutes and may be amended by an act of the Oregon Legislature. PERS collects

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution has been assumed and paid by the employer at the 6% percent rate set by law. The employer contribution rate through June 30, 2002 was 9.49% percent. OUS employer contributions to PERS for the years ending June 30, 2000, 2001, and 2002 were \$33,193,516, \$35,124,419 and \$35,745,608 respectively, equal to the required contributions for each year.

An actuarial valuation of PERS is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 1999. Of the actuarial assumptions used in the valuation, projected salary increases were 4.25% percent in 1999.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The pension benefit obligation at December 31, 1999, for PERS as a whole, determined through an actuarial valuation performed as of that date, was \$14,065.5 million. PERS' net assets available for benefits on that date (valued at market) were \$14,082.9 million. Information for OUS as a stand-alone entity is not available.

The ten-year historical trend information showing 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, 2002. The PERS financial report is publicly available and may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR, 97281-3700 or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

#### Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation which 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. 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 four different investment companies.

As with PERS, the ORP consists of two tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. Under the ORP Tier One and Tier Two, the employee's contribution rate is 6% percent and is paid by the employer. The employer contribution rate, through June 30, 2002, for the ORP Tier One and Tier Two was 9.49 percent and 8.5% percent, respectively.

NOTES TO FINANCIAL STATEMENTS – Continued  
 Oregon University System  
 For the Year Ended June 30, 2002

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

Eligible unclassified faculty 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.

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 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 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. 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 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.

OUS total payroll for the year ended June 30, 2002 was \$598,282,708, of which \$531,465,753 was subject to retirement benefits. The following schedule lists payments to pension plans made by OUS for the fiscal year:

	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS	35,745,608	6.73%	21,325,759	4.01%
ORP	10,807,642	2.03%	6,836,867	1.29%
TIAA-CREF	273,567	0.05%	260,956	0.05%
Federal	793,458	0.15%	335,699	0.06%
FERS - TSP	167,944	0.03%	361,901	0.07%
TOTAL	<u>47,788,219</u>	<u>8.99%</u>	<u>29,121,182</u>	<u>5.48%</u>

Of the employee share, the employer paid \$21,247,817 of PERS, \$6,830,032 of ORP, and \$260,956 of TIAA-CREF. The federal contributions of \$335,699 represent FERS

## NOTES TO FINANCIAL STATEMENTS – Continued

Oregon University System

For the Year Ended June 30, 2002

and CSRS employees, and the \$361,901 represents employee contributions to the Thrift Savings Plan for FERS employees which was matched one to five percent by the employer.

### 14. Early Retirement Plans

During 1996, and 1997, OUS offered early retirement incentives to eligible faculty and staff.

The 1996 incentives were offered to all unclassified, management service, and classified unrepresented employees who had at least five years of service to OUS and 30 years of public service or who would reach age 55 prior to June 30, 1997.

Employees electing the 1996 plan had to sign up prior to June 15, 1996 and agree to retire not later than June 30, 1997. Benefits generally included a lump-sum payment of one-half the employee's annual salary in the month following termination of regular employment and a health insurance subsidy of up to \$403 per month for seven years. A total of 330 employees participated in this plan; OUS has a recorded liability of \$2,298,282 for benefits to be paid in future years.

The 1997 incentives were offered to all Oregon Public Employees Union (OPEU) represented employees who had at least five years of service to OUS and 30 years of public service or who would reach age 55 prior to June 30, 1997. Employees electing this plan had to sign up between April 1, 1997, and May 31, 1997, and agree to retire not later than June 30, 1997. Benefits included a health insurance subsidy of up to \$386 per month for seven years. Part-time employment after retirement may also be offered on a case-by-case basis. A total of 247 employees participated in this plan; OUS has a recorded liability of \$1,678,881 for benefits to be paid in future years.

Since 1998, Southern Oregon University has offered a 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 a annual full-time fixed term contract for up to three years. An option within the plan provides the employee health and dental benefits for up to seven years or until the employee reaches age 65. The amount of the monthly health and dental subsidy is fixed at the close of the academic year in which the employee retires. A total of 16 employees have participated in the health and dental benefits option of this plan; OUS has a recorded liability of \$528,934 for benefits to be paid in future years.

Early retirement liabilities are reported in the Statement of Net Assets as Accounts Payable and Other Noncurrent Liabilities.

### 15. Campus Foundations

Under university policies approved by the OUS Board, individual campus foundations may be established to provide valuable assistance in fundraising, public outreach and other support for the missions of OUS universities. Although independent boards govern these foundations, their assets are dedicated for the benefit of OUS universities.

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

As of the date of the most recently available financial information, December 31, 2000, or June 30, 2001, campus foundation net assets exceeded \$740 million, but are not included in OUS's financial statements under generally accepted accounting principles. During the year ended June 30, 2002, gifts of \$123 million were transferred from campus foundations to OUS universities.

**16. 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, 2002, is \$5,934,050.

**17. 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. 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 coverages for each of the past three fiscal years.

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

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

**18. Commitments and Contingent Liabilities**

Outstanding commitments on partially completed construction contracts total approximately \$342.6 million at June 30, 2002. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OUS funds.

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

NOTES TO FINANCIAL STATEMENTS – Continued  
Oregon University System  
For the Year Ended June 30, 2002

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 Oregon Revised Statutes. 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, 2002.



EASTERN OREGON  
UNIVERSITY

**Eastern Oregon University**  
**STATEMENT OF NET ASSETS**  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$5,351,967
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	1,966,679
Current Notes Receivable, Net	129,483
Inventories	346,360
Prepaid Expenses	144,023
<b>Total Current Assets</b>	<b>7,938,512</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	10,758,719
Long-term Investments - Restricted	0
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	1,312,798
Due From Other OUS Funds	306,000
Due From Other OUS Entities	633,686
Land	951,903
Buildings	29,637,852
Improvements Other Than Buildings	1,639,239
Equipment	4,584,081
Library	4,943,522
Infrastructure	1,117,312
Collections	225,812
Construction in Progress	4,011,385
Accumulated Depreciation	(27,853,204)
<b>Total Noncurrent Assets</b>	<b>32,269,105</b>
<b>TOTAL ASSETS</b>	<b>40,207,617</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	1,250,578
Salaries and Wages Payable	216,600
Deposits	233,382
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	18,772
Current Portion of Notes Payable	0
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	154,754
Deferred Revenue	306,640
Current Portion of Compensated Absences	589,918
<b>Total Current Liabilities</b>	<b>2,770,644</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	54,939
Noncurrent Notes Payable	0
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	1,334,141
Noncurrent Compensated Absences	46,726
Noncurrent Other Liabilities	70,528
Due to Other OUS Funds	306,000
Due to Other OUS Entities	0
<b>Total Noncurrent Liabilities</b>	<b>1,812,334</b>
<b>TOTAL LIABILITIES</b>	<b>4,582,978</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	17,769,007
Restricted For:	
Nonexpendable Endowments	554,188
Expendable Gifts, Grants, and Contracts	503,235
Expendable Student Loans	1,692,643
Expendable Capital Projects	10,317,836
Expendable Debt Service	38,956
Unrestricted Net Assets	4,748,774
<b>TOTAL NET ASSETS</b>	<b>\$35,624,639</b>

**Eastern Oregon University**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For The Year Ended June 30, 2002

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$1,620,034)	\$9,184,745
Grants & Contracts - Federal	5,367,171
Grants & Contracts - State & Local	450,375
Grants & Contracts - Nongovernmental	785,381
Educational Department Sales & Services	446,594
Housing & Food Services Revenues (Net of Scholarship Allowance of \$372,918)	1,561,302
Athletics, Events, & Performances	198,789
Other Auxiliary Enterprise Revenues	351,896
Indirect Cost Recovery	177,324
Revenues From Other Oregon Agencies	558,964
Other Operating Revenues	1,809,906
<b>Total Operating Revenue</b>	<u><b>20,892,447</b></u>
<b>Operating Expenses</b>	
Instruction	11,743,624
Research	233,570
Public Service	2,147,849
Academic Support	3,253,581
Student Services	1,963,585
Auxiliary Programs	5,356,075
Operation & Maintenance of Plant	2,491,717
Institutional Support	2,950,625
Service Departments	158,882
Student Aid	2,292,634
Other Operating Expenses	1,887,573
<b>Total Operating Expenses</b>	<u><b>34,479,715</b></u>
<b>Operating Income (Loss)</b>	<u><b>(13,587,268)</b></u>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	13,985,944
Investment Activity	(469,360)
Gain (Loss) on Disposal of Assets	0
Interest Expense	(95,259)
Other Nonoperating Items	432,092
<b>Net Nonoperating Revenues</b>	<u><b>13,853,417</b></u>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<u><b>266,149</b></u>
Capital Appropriations	450,000
Capital Grants and Gifts	60,550
Capital Contributions	34,178
Additions to Permanent Endowments	0
Transfers within OUS	13,373,447
<b>Total Other Items</b>	<u><b>13,918,175</b></u>
<b>Increase (Decrease) In Net Assets</b>	<u><b>14,184,324</b></u>
<b>Net Assets - Beginning Balance From Prior Year</b>	48,659,670
<b>Cumulative Effect of Change in Accounting Principle</b>	(27,219,355)
<b>Net Assets - End of Year</b>	<u><b>\$35,624,639</b></u>

**Eastern Oregon University**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2002**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$9,094,236
Grants and Contracts	6,704,116
Sales and Services of Educational Activities	546,781
Auxiliary Enterprise Operations:	
Housing	1,561,311
Intercollegiate Athletics	196,744
Other Auxiliary Enterprises	325,335
Student Loan Collections	261,006
Payments to Employees for Salaries and Benefits	(21,568,872)
Payments to Suppliers	(11,505,060)
Transfers from Other State Agencies	558,964
Student Loan Issuance and Costs	(136,261)
Other Operating Receipts	1,986,223
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(11,975,477)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Government Appropriations	13,985,944
Private Gifts Received for Endowment Purposes	0
Other Gifts and Private Contracts	432,875
Net Agency Receipts (Payments)	2,060
Net Transfers to (from) Other Funds	13,373,447
Net Transfers to (from) Other OUS Universities	(623,159)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>27,171,167</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	450,000
Capital Grants and Gifts	67,934
Capital Contributions	34,178
Bond Proceeds on Capital Debt	0
Sales of Capital Assets	178,762
Purchase of Capital Assets	(6,080,801)
Interest Payments on Capital Debt	(95,259)
Principal Payments on Capital Debt	(150,564)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(5,595,750)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sales of Investments	1,198,372
Interest on Investments and Cash Balances	(469,361)
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>729,011</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,328,951</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,781,735
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$16,110,686</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	(\$13,587,268)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	1,109,051
Changes in Assets and Liabilities	
Accounts Receivable	(34,652)
Notes Receivable	124,272
Inventories	(13,421)
Prepaid Expenses	(11,131)
Accounts Payable	368,121
Notes Payable	0
Salaries and Wages Payable	1,020,612
Deposits	101,434
Deferred Revenue	(21,034)
Liability for Compensated Absences	(1,031,461)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(11,975,477)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	2,604,508



**Oregon Institute of Technology**  
**STATEMENT OF NET ASSETS**  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$6,890,754
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	2,008,677
Current Notes Receivable, Net	490,292
Inventories	380,930
Prepaid Expenses	32,505
<b>Total Current Assets</b>	<b>9,803,158</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	5,879,475
Long-term Investments - Restricted	0
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	2,750,733
Due From Other OUS Funds	0
Due From Other OUS Entities	109,805
Land	718,772
Buildings	30,067,252
Improvements Other Than Buildings	2,166,780
Equipment	7,318,196
Library	7,028,497
Infrastructure	3,827,515
Collections	227,361
Construction in Progress	291,992
Accumulated Depreciation	(35,492,858)
<b>Total Noncurrent Assets</b>	<b>24,893,520</b>
<b>TOTAL ASSETS</b>	<b>34,696,678</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	646,767
Salaries and Wages Payable	511,141
Deposits	232,170
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	4,520
Current Portion of Notes Payable	0
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	65,750
Deferred Revenue	888,958
Current Portion of Compensated Absences	601,389
<b>Total Current Liabilities</b>	<b>2,950,695</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	0
Noncurrent Notes Payable	0
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	483,818
Noncurrent Compensated Absences	47,634
Noncurrent Other Liabilities	82,969
Due to Other OUS Funds	0
Due to Other OUS Entities	125,000
<b>Total Noncurrent Liabilities</b>	<b>739,421</b>
<b>TOTAL LIABILITIES</b>	<b>3,690,116</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	15,598,076
Restricted For:	
Nonexpendable Endowments	0
Expendable Gifts, Grants, and Contracts	870,915
Expendable Student Loans	3,985,164
Expendable Capital Projects	6,543,563
Expendable Debt Service	12,722
Unrestricted Net Assets	3,996,122
<b>TOTAL NET ASSETS</b>	<b>\$31,006,562</b>

**Oregon Institute of Technology**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$2,805,316)	\$6,596,968
Grants & Contracts - Federal	4,088,712
Grants & Contracts - State & Local	1,029,575
Grants & Contracts - Nongovernmental	640,698
Educational Department Sales & Services	229,489
Housing & Food Services Revenues (Net of Scholarship Allowance of \$503,419)	2,219,680
Athletics, Events, & Performances	239,991
Other Auxiliary Enterprise Revenues	2,184,461
Indirect Cost Recovery	170,108
Revenues From Other Oregon Agencies	807,032
Other Operating Revenues	246,908
<b>Total Operating Revenue</b>	<b>18,453,622</b>
<b>Operating Expenses</b>	
Instruction	13,246,641
Research	162,027
Public Service	1,138,274
Academic Support	2,438,869
Student Services	2,495,287
Auxiliary Programs	5,750,945
Operation & Maintenance of Plant	2,104,414
Institutional Support	4,455,978
Service Departments	(71,788)
Student Aid	2,665,979
Other Operating Expenses	3,233,414
<b>Total Operating Expenses</b>	<b>37,620,040</b>
<b>Operating Income (Loss)</b>	<b>(19,166,418)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	17,060,420
Investment Activity	(5,395)
Gain (Loss) on Disposal of Assets	16,968
Interest Expense	41,326
Other Nonoperating Items	1,105,916
<b>Net Nonoperating Revenues</b>	<b>18,219,235</b>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b>(947,183)</b>
Capital Appropriations	625,000
Capital Grants and Gifts	0
Capital Contributions	41,929
Additions to Permanent Endowments	0
Transfers within OUS	5,141,382
<b>Total Other Items</b>	<b>5,808,311</b>
<b>Increase (Decrease) In Net Assets</b>	<b>4,861,128</b>
<b>Net Assets - Beginning Balance From Prior Year</b>	<b>59,536,618</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(33,391,184)</b>
<b>Net Assets - End of Year</b>	<b>\$31,006,562</b>

**Oregon Institute of Technology**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$6,679,448
Grants and Contracts	5,826,938
Sales and Services of Educational Activities	327,939
Auxiliary Enterprise Operations:	
Housing	2,256,400
Intercollegiate Athletics	238,726
Other Auxiliary Enterprises	2,193,176
Student Loan Collections	525,190
Payments to Employees for Salaries and Benefits	(23,920,393)
Payments to Suppliers	(12,211,560)
Transfers from Other State Agencies	807,031
Student Loan Issuance and Costs	(736,078)
Other Operating Receipts	431,934
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(17,581,249)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	17,060,420
Private Gifts Received for Endowment Purposes	0
Other Gifts and Private Contracts	1,106,047
Net Agency Receipts (Payments)	863
Net Transfers to (from) Other Funds	5,141,382
Net Transfers to (from) Other OUS Universities	(20,119)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>23,288,593</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	625,000
Capital Grants and Gifts	6,324
Capital Contributions	41,929
Bond Proceeds on Capital Debt	711,250
Sales of Capital Assets	2,187,044
Purchase of Capital Assets	(3,687,459)
Interest Payments on Capital Debt	41,327
Principal Payments on Capital Debt	(279,014)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(353,599)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	227,106
Interest on Investments and Cash Balances	(5,396)
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>221,710</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,575,455</b>
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,194,774
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$12,770,229</b>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$19,166,418)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	1,968,707
Changes in Assets and Liabilities	
Accounts Receivable	(58,467)
Notes Receivable	(212,256)
Inventories	(73,262)
Prepaid Expenses	3,999
Accounts Payable	(438,323)
Notes Payable	0
Salaries and Wages Payable	(41,573)
Deposits	102,105
Deferred Revenue	280,287
Liability for Compensated Absences	53,952
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$17,581,249)</b>

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

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	209,919



**OREGON STATE  
UNIVERSITY**

**Oregon State University**  
**STATEMENT OF NET ASSETS**  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$67,892,912
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	35,537,307
Current Notes Receivable, Net	4,445,562
Inventories	1,754,773
Prepaid Expenses	1,172,248
<b>Total Current Assets</b>	<b>110,802,802</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	59,706,312
Long-term Investments - Restricted	3,199,746
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	24,319,007
Due From Other OUS Funds	800,169
Due From Other OUS Entities	12,034,782
Land	12,393,201
Buildings	363,208,441
Improvements Other Than Buildings	11,181,550
Equipment	131,871,128
Library	64,493,412
Infrastructure	10,011,774
Collections	28,390,718
Construction in Progress	28,364,145
Accumulated Depreciation	(424,751,097)
<b>Total Noncurrent Assets</b>	<b>325,223,288</b>
<b>TOTAL ASSETS</b>	<b>436,026,090</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	11,646,469
Salaries and Wages Payable	1,217,904
Deposits	1,717,564
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	139,350
Current Portion of Notes Payable	0
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	146,146
Deferred Revenue	12,299,565
Current Portion of Compensated Absences	13,670,761
<b>Total Current Liabilities</b>	<b>40,837,759</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	276,152
Noncurrent Notes Payable	0
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	1,758,633
Noncurrent Compensated Absences	1,082,825
Noncurrent Other Liabilities	696,954
Due to Other OUS Funds	800,169
Due to Other OUS Entities	0
<b>Total Noncurrent Liabilities</b>	<b>4,614,733</b>
<b>TOTAL LIABILITIES</b>	<b>45,452,492</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	221,341,431
Restricted For:	
Nonexpendable Endowments	4,182,491
Expendable Gifts, Grants, and Contracts	30,220,566
Expendable Student Loans	32,657,845
Expendable Capital Projects	70,192,701
Expendable Debt Service	554,296
Unrestricted Net Assets	31,424,268
<b>TOTAL NET ASSETS</b>	<b>\$390,573,598</b>

**Oregon State University**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$14,400,244)	\$87,759,832
Grants & Contracts - Federal	162,517,142
Grants & Contracts - State & Local	2,462,005
Grants & Contracts - Nongovernmental	18,552,422
Educational Department Sales & Services	23,238,363
Housing & Food Services Revenues (Net of Scholarship Allowance of \$2,191,060)	18,943,864
Athletics, Events, & Performances	15,011,416
Other Auxiliary Enterprise Revenues	7,556,398
Indirect Cost Recovery	19,517,064
Revenues From Other Oregon Agencies	8,153,473
Other Operating Revenues	4,454,039
<b>Total Operating Revenue</b>	<b><u>368,166,018</u></b>
<b>Operating Expenses</b>	
Instruction	108,541,355
Research	145,715,208
Public Service	54,400,952
Academic Support	26,407,748
Student Services	12,898,145
Auxiliary Programs	61,992,612
Operation & Maintenance of Plant	18,037,097
Institutional Support	25,070,031
Service Departments	1,315,450
Student Aid	62,212,384
Other Operating Expenses	22,294,154
<b>Total Operating Expenses</b>	<b><u>538,885,136</u></b>
<b>Operating Income (Loss)</b>	<b><u>(170,719,118)</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	154,105,350
Investment Activity	(11,338,532)
Gain (Loss) on Disposal of Assets	116,141
Interest Expense	801,133
Other Nonoperating Items	20,141,613
<b>Net Nonoperating Revenues</b>	<b><u>163,825,705</u></b>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b><u>(6,893,413)</u></b>
Capital Appropriations	8,220,000
Capital Grants and Gifts	25,256,400
Capital Contributions	255,779
Additions to Permanent Endowments	448,143
Transfers within OUS	26,974,120
<b>Total Other Items</b>	<b><u>61,154,442</u></b>
<b>Increase (Decrease) In Net Assets</b>	<b><u>54,261,029</u></b>
<b>Net Assets - Beginning Balance From Prior Year</b>	<b>740,667,767</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(404,355,198)</b>
<b>Net Assets - End of Year</b>	<b><u>\$390,573,598</u></b>

**Oregon State University**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$91,332,289
Grants and Contracts	181,644,802
Sales and Services of Educational Activities	24,443,680
Auxiliary Enterprise Operations:	
Housing	18,698,113
Intercollegiate Athletics	15,935,858
Other Auxiliary Enterprises	7,434,862
Student Loan Collections	4,792,074
Payments to Employees for Salaries and Benefits	(309,113,894)
Payments to Suppliers	(215,495,927)
Transfers from Other State Agencies	8,153,473
Student Loan Issuance and Costs	(3,656,422)
Other Operating Receipts	23,968,367
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(151,862,725)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	154,105,350
Private Gifts Received for Endowment Purposes	448,143
Other Gifts and Private Contracts	20,141,569
Net Agency Receipts (Payments)	(27,767)
Net Transfers to (from) Other Funds	26,974,120
Net Transfers to (from) Other OUS Universities	(11,527,332)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>190,114,083</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	8,220,000
Capital Grants and Gifts	25,655,432
Capital Contributions	255,779
Bond Proceeds on Capital Debt	0
Sales of Capital Assets	2,223,759
Purchase of Capital Assets	(37,399,176)
Interest Payments on Capital Debt	801,132
Principal Payments on Capital Debt	(201,314)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(444,388)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	28,021,765
Interest on Investments and Cash Balances	(11,338,533)
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>16,683,232</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>54,490,202</b>
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,109,022
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$127,599,224</b>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$170,719,118)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	21,242,558
Changes in Assets and Liabilities	
Accounts Receivable	(886,278)
Notes Receivable	1,163,443
Inventories	(631,855)
Prepaid Expenses	270,046
Accounts Payable	(5,656,333)
Notes Payable	0
Salaries and Wages Payable	46,041
Deposits	997,650
Deferred Revenue	2,370,637
Liability for Compensated Absences	(59,516)

<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(151,862,725)</b>
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**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS**

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	23,495

PORTLAND STATE  
UNIVERSITY

**Portland State University**  
**STATEMENT OF NET ASSETS**  
**June 30, 2002**

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$26,551,803
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	21,225,775
Current Notes Receivable, Net	1,214,686
Inventories	343,321
Prepaid Expenses	2,764,894
<b>Total Current Assets</b>	<b>52,100,479</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	12,551,799
Long-term Investments - Restricted	0
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	8,592,508
Due From Other OUS Funds	65,000
Due From Other OUS Entities	1,514,328
Land	18,057,118
Buildings	156,505,044
Improvements Other Than Buildings	5,726,481
Equipment	21,914,706
Library	74,440,787
Infrastructure	3,745,285
Collections	131,700
Construction in Progress	9,937,861
Accumulated Depreciation	(154,283,331)
<b>Total Noncurrent Assets</b>	<b>158,899,286</b>
<b>TOTAL ASSETS</b>	<b>210,999,765</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	6,577,891
Salaries and Wages Payable	1,655,965
Deposits	1,024,791
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	14,352
Current Portion of Notes Payable	0
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	189,677
Deferred Revenue	14,730,468
Current Portion of Compensated Absences	3,701,838
<b>Total Current Liabilities</b>	<b>27,894,982</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	74,637
Noncurrent Notes Payable	0
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	4,855,646
Noncurrent Compensated Absences	293,213
Noncurrent Other Liabilities	233,831
Due to Other OUS Funds	65,000
Due to Other OUS Entities	0
<b>Total Noncurrent Liabilities</b>	<b>5,522,327</b>
<b>TOTAL LIABILITIES</b>	<b>33,417,309</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	131,228,172
Restricted For:	
Nonexpendable Endowments	1,282,694
Expendable Gifts, Grants, and Contracts	2,949,685
Expendable Student Loans	10,276,092
Expendable Capital Projects	13,151,824
Expendable Debt Service	401,875
Unrestricted Net Assets	18,292,114
<b>TOTAL NET ASSETS</b>	<b>\$177,582,456</b>

**Portland State University**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For The Year Ended June 30, 2002

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$10,490,201)	\$76,984,276
Grants & Contracts - Federal	86,055,277
Grants & Contracts - State & Local	9,490,361
Grants & Contracts - Nongovernmental	7,306,735
Educational Department Sales & Services	6,007,054
Housing & Food Services Revenues (Net of Scholarship Allowance of \$0)	7,297,530
Athletics, Events, & Performances	1,087,154
Other Auxiliary Enterprise Revenues	7,533,264
Indirect Cost Recovery	3,499,383
Revenues From Other Oregon Agencies	1,291,296
Other Operating Revenues	1,916,304
<b>Total Operating Revenue</b>	<b>208,468,634</b>
<b>Operating Expenses</b>	
Instruction	87,271,115
Research	16,359,982
Public Service	10,551,361
Academic Support	20,116,752
Student Services	6,976,020
Auxiliary Programs	21,738,216
Operation & Maintenance of Plant	10,577,175
Institutional Support	13,825,698
Service Departments	(249,139)
Student Aid	72,600,750
Other Operating Expenses	16,537,620
<b>Total Operating Expenses</b>	<b>276,305,550</b>
<b>Operating Income (Loss)</b>	<b>(67,836,916)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	64,906,061
Investment Activity	(9,605)
Gain (Loss) on Disposal of Assets	119,328
Interest Expense	1,406,981
Other Nonoperating Items	8,435,518
<b>Net Nonoperating Revenues</b>	<b>74,858,283</b>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b>7,021,367</b>
Capital Appropriations	1,750,000
Capital Grants and Gifts	2,974,099
Capital Contributions	81,366
Additions to Permanent Endowments	1,500
Transfers within OUS	11,309,441
<b>Total Other Items</b>	<b>16,116,406</b>
<b>Increase (Decrease) In Net Assets</b>	<b>23,137,773</b>
<b>Net Assets - Beginning Balance From Prior Year</b>	<b>303,183,604</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(148,738,921)</b>
<b>Net Assets - End of Year</b>	<b>\$177,582,456</b>

**Portland State University**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$76,440,673
Grants and Contracts	103,193,971
Sales and Services of Educational Activities	6,744,178
Auxiliary Enterprise Operations:	
Housing	7,297,530
Intercollegiate Athletics	1,092,278
Other Auxiliary Enterprises	7,371,331
Student Loan Collections	1,513,285
Payments to Employees for Salaries and Benefits	(136,246,460)
Payments to Suppliers	(129,614,739)
Transfers from Other State Agencies	1,291,296
Student Loan Issuance and Costs	(1,938,911)
Other Operating Receipts	5,360,022
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(57,495,546)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	64,906,061
Private Gifts Received for Endowment Purposes	1,500
Other Gifts and Private Contracts	7,578,074
Net Agency Receipts (Payments)	(10,795)
Net Transfers to (from) Other Funds	11,309,442
Net Transfers to (from) Other OUS Universities	(1,113,794)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>82,670,488</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	1,750,000
Capital Grants and Gifts	2,886,765
Capital Contributions	81,366
Bond Proceeds on Capital Debt	0
Sales of Capital Assets	(4,007,132)
Purchase of Capital Assets	(23,510,234)
Interest Payments on Capital Debt	1,406,981
Principal Payments on Capital Debt	(182,599)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(21,574,853)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	2,042,986
Interest on Investments and Cash Balances	(9,606)
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>2,033,380</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,633,469</b>
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,470,133
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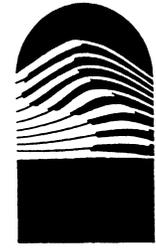
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$39,103,602</b>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$67,836,916)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	11,246,299
Changes in Assets and Liabilities	
Accounts Receivable	(1,853,762)
Notes Receivable	(432,000)
Inventories	(7,439)
Prepaid Expenses	249,934
Accounts Payable	(1,189,348)
Notes Payable	0
Salaries and Wages Payable	141,884
Deposits	716,945
Deferred Revenue	1,531,208
Liability for Compensated Absences	(62,351)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$57,495,546)</b>

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

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$88,989
Change in Fair Value of Investments Recognized as a Component of Interest Income	6,129



SOUTHERN  
OREGON  
UNIVERSITY

Southern Oregon University  
STATEMENT OF NET ASSETS  
June 30, 2002

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$14,686,885
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	3,167,449
Current Notes Receivable, Net	488,115
Inventories	767,629
Prepaid Expenses	224,150

<b>Total Current Assets</b>	<b>19,334,228</b>
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Noncurrent Assets

Cash and Cash Equivalents - Restricted	2,828,680
Long-term Investments - Restricted	0
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	3,622,041
Due From Other OUS Funds	0
Due From Other OUS Entities	461,202
Land	4,124,867
Buildings	66,649,008
Improvements Other Than Buildings	2,315,299
Equipment	5,476,894
Library	11,010,792
Infrastructure	2,258,892
Collections	565,376
Construction in Progress	1,517,072
Accumulated Depreciation	(56,528,487)

<b>Total Noncurrent Assets</b>	<b>44,301,636</b>
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<b>TOTAL ASSETS</b>	<b>63,635,864</b>
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**LIABILITIES**

Current Liabilities

Accounts Payable	1,308,937
Salaries and Wages Payable	759,586
Deposits	410,741
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	30,343
Current Portion of Notes Payable	14,050
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	83,491
Deferred Revenue	1,762,769
Current Portion of Compensated Absences	1,120,575

<b>Total Current Liabilities</b>	<b>5,490,492</b>
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Noncurrent Liabilities

Noncurrent Capital Leases	30,240
Noncurrent Notes Payable	29,858
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	1,588,605
Noncurrent Compensated Absences	88,758
Noncurrent Other Liabilities	492,720
Due to Other OUS Funds	0
Due to Other OUS Entities	250,000

<b>Total Noncurrent Liabilities</b>	<b>2,480,181</b>
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<b>TOTAL LIABILITIES</b>	<b>7,970,673</b>
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**NET ASSETS**

Invested in Capital Assets, Net of Debt	35,641,704
Restricted For:	
Nonexpendable Endowments	255,054
Expendable Gifts, Grants, and Contracts	1,424,234
Expendable Student Loans	4,871,998
Expendable Capital Projects	4,954,390
Expendable Debt Service	297,357
Unrestricted Net Assets	8,220,454

<b>TOTAL NET ASSETS</b>	<b>\$55,665,191</b>
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**Southern Oregon University**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$3,581,431)	\$18,667,650
Grants & Contracts - Federal	27,308,262
Grants & Contracts - State & Local	1,676,612
Grants & Contracts - Nongovernmental	709,054
Educational Department Sales & Services	2,252,780
Housing & Food Services Revenues (Net of Scholarship Allowance of \$785,032)	5,303,691
Athletics, Events, & Performances	2,560,171
Other Auxiliary Enterprise Revenues	4,704,302
Indirect Cost Recovery	179,112
Revenues From Other Oregon Agencies	130,221
Other Operating Revenues	350,482
<b>Total Operating Revenue</b>	<b>63,842,337</b>
<b>Operating Expenses</b>	
Instruction	20,808,363
Research	438,343
Public Service	3,502,317
Academic Support	6,077,293
Student Services	3,117,033
Auxiliary Programs	14,413,465
Operation & Maintenance of Plant	3,368,733
Institutional Support	5,786,277
Service Departments	(36,120)
Student Aid	24,242,590
Other Operating Expenses	4,116,786
<b>Total Operating Expenses</b>	<b>85,835,080</b>
<b>Operating Income (Loss)</b>	<b>(21,992,743)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	18,363,822
Investment Activity	153,137
Gain (Loss) on Disposal of Assets	3,297
Interest Expense	138,161
Other Nonoperating Items	3,457,049
<b>Net Nonoperating Revenues</b>	<b>22,115,466</b>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b>122,723</b>
Capital Appropriations	700,000
Capital Grants and Gifts	100,000
Capital Contributions	16,793
Additions to Permanent Endowments	109,664
Transfers within OUS	1,609,026
<b>Total Other Items</b>	<b>2,535,483</b>
<b>Increase (Decrease) In Net Assets</b>	<b>2,658,206</b>
<b>Net Assets - Beginning Balance From Prior Year</b>	<b>108,051,392</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(55,044,407)</b>
<b>Net Assets - End of Year</b>	<b>\$55,665,191</b>

**Southern Oregon University**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$18,748,468
Grants and Contracts	29,837,584
Sales and Services of Educational Activities	2,483,442
Auxiliary Enterprise Operations:	
Housing	5,195,061
Intercollegiate Athletics	2,567,412
Other Auxiliary Enterprises	4,615,212
Student Loan Collections	714,155
Payments to Employees for Salaries and Benefits	(39,326,414)
Payments to Suppliers	(44,884,371)
Transfers from Other State Agencies	130,221
Student Loan Issuance and Costs	(644,178)
Other Operating Receipts	544,553
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(20,018,855)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	18,363,822
Private Gifts Received for Endowment Purposes	109,664
Other Gifts and Private Contracts	3,459,183
Net Agency Receipts (Payments)	(2,763)
Net Transfers to (from) Other Funds	1,609,025
Net Transfers to (from) Other OUS Universities	(136,632)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>23,402,299</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	700,000
Capital Grants and Gifts	147,796
Capital Contributions	16,793
Bond Proceeds on Capital Debt	25,767
Sales of Capital Assets	906,385
Purchase of Capital Assets	(3,878,010)
Interest Payments on Capital Debt	138,162
Principal Payments on Capital Debt	(78,114)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2,021,221)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	401,767
Interest on Investments and Cash Balances	153,137
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>554,904</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,917,127</b>
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,598,438
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$17,515,565</b>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$21,992,743)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	2,286,272
Changes in Assets and Liabilities	
Accounts Receivable	(281,786)
Notes Receivable	68,892
Inventories	(141,216)
Prepaid Expenses	7,341
Accounts Payable	(463,324)
Notes Payable	0
Salaries and Wages Payable	(883,698)
Deposits	221,331
Deferred Revenue	(49,257)
Liability for Compensated Absences	1,209,333
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$20,018,855)</b>

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

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	44,720



University of Oregon  
STATEMENT OF NET ASSETS  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$56,173,147
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	26,481,701
Current Notes Receivable, Net	10,553,554
Inventories	1,689,632
Prepaid Expenses	1,114,026
<b>Total Current Assets</b>	<b>96,012,060</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	17,577,622
Long-term Investments - Restricted	74,213
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	19,310,015
Due From Other OUS Funds	2,556,191
Due From Other OUS Entities	10,331,574
Land	8,442,036
Buildings	272,900,046
Improvements Other Than Buildings	18,482,430
Equipment	62,686,860
Library	89,395,419
Infrastructure	6,816,802
Collections	27,882,271
Construction in Progress	72,734,749
Accumulated Depreciation	(282,637,219)
<b>Total Noncurrent Assets</b>	<b>326,553,009</b>
<b>TOTAL ASSETS</b>	<b>422,565,069</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	16,713,449
Salaries and Wages Payable	1,911,936
Deposits	2,162,267
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	86,829
Current Portion of Notes Payable	5,122
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	420,153
Deferred Revenue	19,658,586
Current Portion of Compensated Absences	6,337,449
<b>Total Current Liabilities</b>	<b>47,295,791</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	137,983
Noncurrent Notes Payable	21,536
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	3,452,278
Noncurrent Compensated Absences	501,973
Noncurrent Other Liabilities	365,817
Due to Other OUS Funds	2,556,191
Due to Other OUS Entities	247,889
<b>Total Noncurrent Liabilities</b>	<b>7,283,667</b>
<b>TOTAL LIABILITIES</b>	<b>54,579,458</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	262,392,174
Restricted For:	
Nonexpendable Endowments	7,237,369
Expendable Gifts, Grants, and Contracts	19,476,385
Expendable Student Loans	24,842,374
Expendable Capital Projects	29,140,368
Expendable Debt Service	125,992
Unrestricted Net Assets	24,770,949
<b>TOTAL NET ASSETS</b>	<b>\$367,985,611</b>

**University of Oregon**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$17,302,402)	\$119,011,187
Grants & Contracts - Federal	130,389,378
Grants & Contracts - State & Local	7,376,454
Grants & Contracts - Nongovernmental	17,841,453
Educational Department Sales & Services	11,790,681
Housing & Food Services Revenues (Net of Scholarship Allowance of \$1,942,241)	23,166,126
Athletics, Events, & Performances	22,675,188
Other Auxiliary Enterprise Revenues	11,064,748
Indirect Cost Recovery	12,988,138
Revenues From Other Oregon Agencies	4,297,917
Other Operating Revenues	4,710,524
<b>Total Operating Revenue</b>	<b>365,311,794</b>
<b>Operating Expenses</b>	
Instruction	113,113,734
Research	54,273,434
Public Service	22,724,463
Academic Support	24,177,970
Student Services	14,708,188
Auxiliary Programs	74,760,789
Operation & Maintenance of Plant	14,575,020
Institutional Support	24,480,082
Service Departments	1,470,922
Student Aid	83,015,804
Other Operating Expenses	23,525,444
<b>Total Operating Expenses</b>	<b>450,825,850</b>
<b>Operating Income (Loss)</b>	<b>(85,514,056)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	69,670,246
Investment Activity	(10,151,818)
Gain (Loss) on Disposal of Assets	30,348
Interest Expense	1,511,341
Other Nonoperating Items	10,177,366
<b>Net Nonoperating Revenues</b>	<b>71,237,483</b>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b>(14,276,573)</b>
Capital Appropriations	3,000,000
Capital Grants and Gifts	57,316,905
Capital Contributions	216,229
Additions to Permanent Endowments	38,697
Transfers within OUS	1,452,632
<b>Total Other Items</b>	<b>62,024,463</b>
<b>Increase (Decrease) In Net Assets</b>	<b>47,747,890</b>
<b>Net Assets - Beginning Balance From Prior Year</b>	<b>590,578,126</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(270,340,405)</b>
<b>Net Assets - End of Year</b>	<b>\$367,985,611</b>

University of Oregon  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$118,456,042
Grants and Contracts	154,155,078
Sales and Services of Educational Activities	12,719,213
Auxiliary Enterprise Operations:	
Housing	23,256,571
Intercollegiate Athletics	28,015,283
Other Auxiliary Enterprises	11,048,351
Student Loan Collections	3,732,128
Payments to Employees for Salaries and Benefits	(237,067,289)
Payments to Suppliers	(192,935,666)
Transfers from Other State Agencies	4,297,917
Student Loan Issuance and Costs	(4,404,085)
Other Operating Receipts	17,648,658
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(61,077,799)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	69,670,246
Private Gifts Received for Endowment Purposes	38,697
Other Gifts and Private Contracts	10,211,542
Net Agency Receipts (Payments)	(2,929)
Net Transfers to (from) Other Funds	1,452,633
Net Transfers to (from) Other OUS Universities	(9,929,405)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>71,440,784</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	3,000,000
Capital Grants and Gifts	54,881,766
Capital Contributions	216,229
Bond Proceeds on Capital Debt	0
Sales of Capital Assets	1,908,676
Purchase of Capital Assets	(76,128,314)
Interest Payments on Capital Debt	1,511,339
Principal Payments on Capital Debt	(401,673)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(15,011,977)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	24,676,765
Interest on Investments and Cash Balances	(10,151,817)
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>14,524,948</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,875,956</b>
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	63,874,813
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$73,750,769</b>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$85,514,056)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	14,925,356
Changes in Assets and Liabilities	
Accounts Receivable	5,975,737
Notes Receivable	(7,876,128)
Inventories	94,415
Prepaid Expenses	101,775
Accounts Payable	5,483,073
Notes Payable	26,658
Salaries and Wages Payable	(77,076)
Deposits	1,066,687
Deferred Revenue	4,504,657
Liability for Compensated Absences	211,103
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$61,077,799)</b>

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

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$95,679
Change in Fair Value of Investments Recognized as a Component of Interest Income	123,818

WESTERN OREGON  

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UNIVERSITY

**Western Oregon University**  
**STATEMENT OF NET ASSETS**  
**June 30, 2002**

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$18,385,093
Short-term Investments	0
Securities Lending Cash Collateral	0
Accounts Receivable, Net	4,068,620
Current Notes Receivable, Net	458,738
Inventories	1,074,754
Prepaid Expenses	196,128
<b>Total Current Assets</b>	<b>24,183,333</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	8,048,250
Long-term Investments - Restricted	0
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	3,609,789
Due From Other OUS Funds	163,890
Due From Other OUS Entities	15,356
Land	2,698,099
Buildings	55,507,195
Improvements Other Than Buildings	1,190,564
Equipment	4,787,044
Library	4,590,323
Infrastructure	1,539,101
Collections	440,987
Construction in Progress	9,323,561
Accumulated Depreciation	(46,910,394)
<b>Total Noncurrent Assets</b>	<b>45,003,765</b>
<b>TOTAL ASSETS</b>	<b>69,187,098</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	1,577,492
Salaries and Wages Payable	723,194
Deposits	488,603
Obligations Under Security Lending	0
Matured Bonds, COPS & Interest Payable	0
Current Portion of Capital Leases	0
Current Portion of Notes Payable	0
Current Portion of COPS Payable	0
Current Portion of Bonds Payable	0
Current Portion of SELP Loans Payable	0
Deferred Revenue	2,047,204
Current Portion of Compensated Absences	896,760
<b>Total Current Liabilities</b>	<b>5,733,253</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	0
Noncurrent Notes Payable	0
Noncurrent COPS Payable	0
Noncurrent Bonds Payable	0
Noncurrent SELP Loans Payable	0
Noncurrent Compensated Absences	71,030
Noncurrent Other Liabilities	101,973
Due to Other OUS Funds	163,890
Due to Other OUS Entities	32,045
<b>Total Noncurrent Liabilities</b>	<b>368,938</b>
<b>TOTAL LIABILITIES</b>	<b>6,102,191</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	33,166,481
Restricted For:	
Nonexpendable Endowments	2,353
Expendable Gifts, Grants, and Contracts	663,777
Expendable Student Loans	5,250,315
Expendable Capital Projects	11,164,448
Expendable Debt Service	215,235
Unrestricted Net Assets	12,622,298
<b>TOTAL NET ASSETS</b>	<b>\$63,084,907</b>

**Western Oregon University**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

**Operating Revenues**

Student Tuition & Fees (Net of Scholarship Allowance of \$3,211,561)	\$16,378,312
Grants & Contracts - Federal	26,896,060
Grants & Contracts - State & Local	2,061,163
Grants & Contracts - Nongovernmental	983,234
Educational Department Sales & Services	2,761,581
Housing & Food Services Revenues (Net of Scholarship Allowance of \$700,117)	5,590,505
Athletics, Events, & Performances	812,981
Other Auxiliary Enterprise Revenues	3,751,107
Indirect Cost Recovery	913,275
Revenues From Other Oregon Agencies	979,034
Other Operating Revenues	194,778
<b>Total Operating Revenue</b>	<b>61,322,030</b>

**Operating Expenses**

Instruction	19,037,247
Research	6,351,684
Public Service	631,243
Academic Support	3,687,302
Student Services	3,375,911
Auxiliary Programs	12,322,038
Operation & Maintenance of Plant	2,024,178
Institutional Support	4,664,366
Service Departments	(47,595)
Student Aid	20,550,838
Other Operating Expenses	2,708,245
<b>Total Operating Expenses</b>	<b>75,305,457</b>

<b>Operating Income (Loss)</b>	<b>(13,983,427)</b>
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**Nonoperating Revenues (Expenses)**

Government Appropriations	17,475,204
Investment Activity	164,227
Gain (Loss) on Disposal of Assets	14,334
Interest Expense	124,317
Other Nonoperating Items	236,009
<b>Net Nonoperating Revenues</b>	<b>18,014,091</b>

<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<b>4,030,664</b>
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Capital Appropriations	800,000
Capital Grants and Gifts	274,042
Capital Contributions	2,869
Additions to Permanent Endowments	0
Transfers within OUS	11,314,172
<b>Total Other Items</b>	<b>12,391,083</b>

<b>Increase (Decrease) In Net Assets</b>	<b>16,421,747</b>
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<b>Net Assets - Beginning Balance From Prior Year</b>	<b>92,590,194</b>
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<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(45,927,034)</b>
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<b>Net Assets - End of Year</b>	<b>\$63,084,907</b>
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**Western Oregon University**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$16,482,326
Grants and Contracts	30,073,996
Sales and Services of Educational Activities	3,249,269
Auxiliary Enterprise Operations:	
Housing	5,545,735
Intercollegiate Athletics	812,687
Other Auxiliary Enterprises	3,687,245
Student Loan Collections	497,399
Payments to Employees for Salaries and Benefits	(36,020,516)
Payments to Suppliers	(36,866,070)
Transfers from Other State Agencies	979,034
Student Loan Issuance and Costs	(683,232)
Other Operating Receipts	1,108,055
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(11,134,072)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Government Appropriations	17,475,204
Private Gifts Received for Endowment Purposes	0
Other Gifts and Private Contracts	236,010
Net Agency Receipts (Payments)	791
Net Transfers to (from) Other Funds	11,314,171
Net Transfers to (from) Other OUS Universities	48,124
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>29,074,300</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	800,000
Capital Grants and Gifts	274,042
Capital Contributions	2,869
Bond Proceeds on Capital Debt	0
Sales of Capital Assets	1,442,871
Purchase of Capital Assets	(11,552,521)
Interest Payments on Capital Debt	124,316
Principal Payments on Capital Debt	0
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(8,908,423)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	58,870
Interest on Investments and Cash Balances	164,226
Interest Income from Securities Lending	0
Interest Expense from Securities Lending	0
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>223,096</b>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** **9,254,901**

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 17,178,442

**CASH AND CASH EQUIVALENTS, END OF YEAR** **\$26,433,343**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	(\$13,983,427)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	2,029,456
Changes in Assets and Liabilities	
Accounts Receivable	(10,148)
Notes Receivable	(181,302)
Inventories	203,864
Prepaid Expenses	(12,239)
Accounts Payable	152,928
Notes Payable	0
Salaries and Wages Payable	83,964
Deposits	477,824
Deferred Revenue	102,719
Liability for Compensated Absences	2,289
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$11,134,072)</b>

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

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	2,897,139



Oregon  
University  
System

Chancellor's Office  
STATEMENT OF NET ASSETS  
June 30, 2002

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$12,583,920
Short-term Investments	9,249,800
Securities Lending Cash Collateral	48,696,419
Accounts Receivable, Net	860,513
Current Notes Receivable, Net	6,921,715
Inventories	0
Prepaid Expenses	6,099,208
<b>Total Current Assets</b>	<b>84,411,575</b>
Noncurrent Assets	
Cash and Cash Equivalents - Restricted	191,444,515
Long-term Investments - Restricted	58,935,582
Noncurrent Accounts Receivable, Net	0
Noncurrent Notes Receivable, Net	47,273,319
Due From Other OUS Funds	0
Due From Other OUS Entities	1,074,861
Land	1,176,400
Buildings	6,403,853
Improvements Other Than Buildings	154,144
Equipment	2,737,850
Library	0
Infrastructure	0
Collections	0
Construction in Progress	1,335,833
Accumulated Depreciation	(2,757,063)
<b>Total Noncurrent Assets</b>	<b>307,779,294</b>
<b>TOTAL ASSETS</b>	<b>392,190,869</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	24,473,546
Salaries and Wages Payable	0
Deposits	2,302,286
Obligations Under Security Lending	48,696,419
Matured Bonds, COPS & Interest Payable	2,374,072
Current Portion of Capital Leases	0
Current Portion of Notes Payable	0
Current Portion of COPS Payable	3,205,587
Current Portion of Bonds Payable	25,649,250
Current Portion of SELP Loans Payable	0
Deferred Revenue	1,115,749
Current Portion of Compensated Absences	677,159
<b>Total Current Liabilities</b>	<b>108,494,068</b>
Noncurrent Liabilities	
Noncurrent Capital Leases	0
Noncurrent Notes Payable	9,969,345
Noncurrent COPS Payable	7,925,926
Noncurrent Bonds Payable	604,557,242
Noncurrent SELP Loans Payable	0
Noncurrent Compensated Absences	53,636
Noncurrent Other Liabilities	583,611
Due to Other OUS Funds	0
Due to Other OUS Entities	25,520,660
<b>Total Noncurrent Liabilities</b>	<b>648,610,420</b>
<b>TOTAL LIABILITIES</b>	<b>757,104,488</b>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	(582,500,211)
Restricted For:	
Nonexpendable Endowments	929,929
Expendable Gifts, Grants, and Contracts	27,741,877
Expendable Student Loans	126,368
Expendable Capital Projects	128,853,063
Expendable Debt Service	40,597,820
Unrestricted Net Assets	19,337,535
<b>TOTAL NET ASSETS</b>	<b>(\$364,913,619)</b>

**Chancellor's Office**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2002**

<b>Operating Revenues</b>	
Student Tuition & Fees (Net of Scholarship Allowance of \$190)	\$830,106
Grants & Contracts - Federal	3,045,599
Grants & Contracts - State & Local	196,948
Grants & Contracts - Nongovernmental	202,600
Educational Department Sales & Services	135,601
Housing & Food Services Revenues (Net of Scholarship Allowance of \$0)	931,495
Athletics, Events, & Performances	0
Other Auxiliary Enterprise Revenues	6,200
Indirect Cost Recovery	1,909,631
Revenues From Other Oregon Agencies	(8,197,323)
Other Operating Revenues	25
<b>Total Operating Revenue</b>	<u><b>(939,118)</b></u>
<b>Operating Expenses</b>	
Instruction	6,562,573
Research	153,892
Public Service	100,790
Academic Support	317,200
Student Services	62,806
Auxiliary Programs	636,853
Operation & Maintenance of Plant	0
Institutional Support	18,301,611
Service Departments	1,117,153
Student Aid	310
Other Operating Expenses	711,590
<b>Total Operating Expenses</b>	<u><b>27,964,778</b></u>
<b>Operating Income (Loss)</b>	<u><b>(28,903,896)</b></u>
<b>Nonoperating Revenues (Expenses)</b>	
Government Appropriations	39,587,183
Investment Activity	30,258,321
Gain (Loss) on Disposal of Assets	0
Interest Expense	(29,278,978)
Other Nonoperating Items	10,183,291
<b>Net Nonoperating Revenues</b>	<u><b>50,749,817</b></u>
<b>Income (Loss) Before Other Revenues, Expenses, and Changes in Net Assets</b>	<u><b>21,845,921</b></u>
Capital Appropriations	371,476
Capital Grants and Gifts	0
Capital Contributions	0
Additions to Permanent Endowments	0
Transfers within OUS	(71,174,220)
<b>Total Other Items</b>	<u><b>(70,802,744)</b></u>
<b>Increase (Decrease) In Net Assets</b>	<u><b>(48,956,823)</b></u>
<b>Net Assets - Beginning Balance From Prior Year</b>	(312,963,748)
<b>Cumulative Effect of Change in Accounting Principle</b>	(2,993,048)
<b>Net Assets - End of Year</b>	<u><b>(\$364,913,619)</b></u>

**Chancellor's Office**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2002**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$1,087,141
Grants and Contracts	3,185,767
Sales and Services of Educational Activities	2,307,862
Auxiliary Enterprise Operations:	
Housing	931,495
Intercollegiate Athletics	0
Other Auxiliary Enterprises	(74,902)
Student Loan Collections	(6,294)
Payments to Employees for Salaries and Benefits	(13,044,395)
Payments to Suppliers	390,627
Transfers from Other State Agencies	(8,197,323)
Student Loan Issuance and Costs	0
Other Operating Receipts	1,909,655
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(11,510,367)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Government Appropriations	39,587,183
Private Gifts Received for Endowment Purposes	0
Other Gifts and Private Contracts	10,106,238
Net Agency Receipts (Payments)	(12,811)
Net Transfers to (from) Other Funds	(71,174,220)
Net Transfers to (from) Other OUS Universities	23,302,316
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>1,808,706</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	371,476
Capital Grants and Gifts	0
Capital Contributions	0
Bond Proceeds on Capital Debt	211,868,280
Sales of Capital Assets	677,961
Purchase of Capital Assets	2,568,326
Interest Payments on Capital Debt	(29,278,978)
Principal Payments on Capital Debt	(49,916,049)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>136,291,016</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sales of Investments	(45,838,281)
Interest on Investments and Cash Balances	30,258,319
Interest Income from Securities Lending	339,824
Interest Expense from Securities Lending	(339,824)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(15,579,962)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>111,009,393</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,019,042
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$204,028,435</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	(\$28,903,896)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	664,407
Changes in Assets and Liabilities	
Accounts Receivable	435,769
Notes Receivable	0
Inventories	0
Prepaid Expenses	(1,086,980)
Accounts Payable	15,920,231
Notes Payable	0
Salaries and Wages Payable	0
Deposits	2,187,955
Deferred Revenue	(645,096)
Liability for Compensated Absences	(82,757)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(\$11,510,367)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Fixed Assets Acquired by Incurring Capital Lease Obligations	\$0
Change in Fair Value of Investments Recognized as a Component of Interest Income	211,654

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING 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 basic financial statements of Oregon University System as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether Oregon University System's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Oregon University System in a separate letter dated November 15, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Oregon University System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Oregon University System in a separate letter dated November 15, 2002.

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*

November 15, 2002