

Finance and Facilities Committee
also Sitting as the Audit Committee
Agenda

Docket Page

1. Call to Order/Roll/Declaration of a Quorum (2:00pm) *Chair Sliva*
2. Consent Agenda – none
3. Action Items
 - 3.1 [Recommendation to Board to Endorse the 2015-16 Student Tuition and Fees](#) *VP Zemke* 1
 - 3.2 [Creation of Committee Charter and Recommendation to Board to Approve Committee Charter](#) *VP Zemke* 9
4. Discussion Items
 - 4.1 [Periodic Operating Management Report](#) *VP Zemke* 11
 - 4.2 [FY 2014 Audited Financial Statement](#) – presentation *CliftonLarsonAllen/ VP Zemke* 13
 - 4.3 FY 2015 Audited Financial Statement Report – verbal update *VP Zemke*
 - 4.4 FY 2016 Annual Audit Request for Proposal – verbal update *VP Zemke*
 - 4.5 Endowment Liquidation and Transfer of Funds to Oregon Tech Foundation – verbal update *VP Zemke*
5. Adjournment

ACTION ITEM

Agenda Item No. 3.1

Recommend to the Board Endorsement of the 2015-16 Student Tuition & Fees

Summary

The setting of student tuition and mandatory fee rates for the 2015-16 academic year and summer term 2016 will occur prior to June 30, 2015 as Oregon Tech, EOU, SOU and WOU are transitioning from governance by the Oregon State Board of Higher Education (OSBHE) to governance by institutional boards. The OSBHE established, at their January 2015 meeting, a framework for the OSBHE to consider tuition and fee recommendations. This discussion will be used to present the approved OSBHE framework and Oregon Tech recommended 2015-16 student tuition and fees which will be presented to the OSBHE in June 2015.

Background

The Oregon Legislature grants authority to the Oregon State Board of Higher Education to establish tuition and fees for enrollment at Oregon University System institutions. Based on recommendations from the institutions and the Chancellor, the OSBHE annually sets fees for enrollment at the institutions, including: • Tuition • Building Fees • Health Service Fees • Incidental Fees • Student Recreation Center Fees • Student Union Fees • Other Mandatory Enrollment Fees • Other Special Fees as determined by OSBHE.

With the passage of Senate Bill 270, all public universities were exempted from state rulemaking requirements for the tuition and fee setting process. As part of the implementation of Senate Bill 242, passed in June 2011, each institution is required to establish a process which integrates student participation in the tuition-setting process in accordance with OSBHE established guidelines. The OSBHE Finance and Administration Committee provided general guidance and expectations as to the process to be followed by the TRU institutions for the 2015-16 academic year. Oregon Tech has established a process and advisory committee that address student involvement (see Attachment – OAR 580-010-0089).

Per ORS 351.063 (4) (a) the OSBHE may not increase the total amount of enrollment fees by more than five percent annually unless the board first receives approval from: (A) The Higher Education Coordinating Commission; or (B) The Legislative Assembly.

For additional context, these are the elements of institutional presentation that have been requested by the OSBHE:

1. Describe your institution's tuition strategy. Describe how the strategy fits within the overall strategic plans of the institution and system.
2. Describe the process used to ensure student participation in the development of the proposed rates, include a summary of the feedback received from students on the proposed rates.
3. Provide benchmarks or peer group comparisons, if any were used to inform your process.

4. Describe how the proposed rates will impact access and affordability on your campus. Include a discussion of how you intend to meet the Board's policy of funding at least 12% of unmet need of resident undergraduate students.
5. Provide a summary of how this rate proposal will maintain campus financial sustainability over the fiscal year with projections of Education and General (E&G) fund balance at 6/30/16.
6. Provide the specific tuition and fee rates being proposed.

Staff Recommendation

Move to recommend the board endorse a 5% base tuition increase and a differential tuition of 15% in specified Engineering and Technology programs for the 2015-16 academic year and 2016 summer session.

Attachments

- Memo dated March 23, 2015 – Information regarding Tuition & Fees for academic year 2015-16 and Summer session 2016
- Oregon Administrative Rule 580-010-0089 Student Involvement in Development of Proposed Resident Undergraduate Tuition Rates



Oregon Institute of Technology

Date: March 23, 2015

To: Oregon Tech Board of Trustees

From: Oregon Institute of Technology (Oregon Tech)

Subject: Information to Support Tuition & Fee Requests –
Academic Year 2015-2016 and Summer Session 2016

Tuition Strategy:

Prior to significant reductions in Oregon State support, Oregon Tech relied on State support to cover the costs of its higher-cost programs. Historically, higher-cost programs have never been fully supported by the tuition charged for them. In developing our 2015-2016 tuition strategy, Oregon Tech's objectives were 1) to address the disproportionate support provided by students in lower cost programs with lower career starting salaries for programs offered to students in the higher-cost programs with higher career starting salaries; and 2) to sustain and expand the current level of program offerings.

To meet the first objective a 15% differential tuition for engineering and technology programs was implemented for the 2013-2014 academic year and phased-in incrementally at 5% per year over the next two years. The next academic year 2015-2016 will be the final year of the incremental phase-in period; the engineering and technology differential is scheduled to increase from 10% to 15% over base tuition rates. This differential tuition will allow the University to continue to provide the hands-on learning experiences that have garnered a tie for the #8 ranking of best baccalaureate colleges in the Western Region in US News and World Reports survey of Best Colleges in 2015. Allied Health programs already carry a differential course fee for most courses in the programs. (Please refer to the following Addendum 1 regarding Proposed Differential Tuition Rates)

After analyzing many approaches it was determined that the most realistic approach to the second objective required a two prong strategy 1) to set basic tuition at a rate that kept student costs in line with the educational value, sustained the University operations and did not negatively impact the enrollment growth required to bring the per student education cost down; and 2) to manage enrollment growth with targeted recruitment that provided an optimum mix of 80% resident and 20% non-resident students. Based on 5-year models, a 5% increase in the basic tuition rate is proposed. Resident tuition increases will be balanced with a university-wide high-achievement scholarships and fee remissions to help keep programs as affordable as possible. Enrollment will be tracked so that Oregon Tech can monitor whether or not the acceptable price point is being approached.

Tuition and fee rate proposals are in line with Oregon Tech's strategic goal that Oregon Tech will deliver personalized and educational experiences that provide students with the technical, critical-thinking, and communication skills they need to succeed in their chosen field. Without future tuition increases, the quality of Oregon Tech programs will decrease. Likewise, a decrease in revenue will adversely affect Oregon Tech's ability to deliver programs throughout the state. 2015-16 proposals also address the

strategy that Oregon Tech will attract and retain first-rate faculty and staff that are actively engaged in globally competitive education and the application of industry research in classrooms and university operations. It takes time and resources to recruit and develop the best faculty and staff to support the mission of the university. In the meantime, tuition increases are needed to maintain the quality of the institution.

Tuition Recommendation Committee Process:

Throughout the tuition and fee rates-setting process, **Oregon Tech students have actively participated.** Students comprised 63% (five students and three administrators) of the Tuition Recommendation Committee. The committee reviewed and discussed, trends in staffing, state funding, and tuition, and projected institutional budgets for this biennium and the next. The committee also reviewed all increased costs associated with attendance next year, which included: differential tuition increase for engineering and technology, changes to mandatory fees, course fee changes, and effect on general fund balance. Differential tuition was also discussed by the Tuition Recommendation Committee with members of the student population that would be impacted by the proposed differential tuition. The students of the Tuition Recommendation Committee presented this information to the Associated Students of Oregon Institute of Technology (ASOIT – student government) to seek input from students at large. The differential tuition was also part of the discussions presented by the students during the forum to discuss the committee’s recommendations.

Students commented that the educational value provided by Oregon Tech is advantageous to their future career plans. Implementing a differential tuition on Engineering and Technology was considered fair by students based on comparisons with the OSU engineering and technology programs tuition rates. Other student discussions regarding the justification of differential tuition included differential tuition currently charged to other high-cost programs, such as Clinical Lab Science. Based on the higher cost of delivering engineering and technology programs, students concluded that the proposed differential tuition was equitable, considering that the Allied Health programs pay a differential course fee on most of the Allied Health courses.

Comparative Analysis:

The **comparative analysis** of Oregon Tech proposed resident tuition for a 12 credit academic year, next to a sampling of our peer universities and OSU Cascades, shows that Oregon Tech has kept tuition on par with its peers. Oregon Tech’s non-resident tuition rates are also competitive. With lower housing and board costs on the Klamath Falls campus and lower mandatory fees on the Wilsonville campus, Oregon Tech is positioned to draw additional non-resident students.

Academic Year Tuition 36 cr hrs	Oregon Tech Proposed	Cal Poly SLO 2014-15	Eastern Wash Univ 2014-15	OSU Cascades 2014-15
Resident	\$ 5,859	\$ 7,200	\$ 8,846	\$ 6,444
Non- resident	\$ 18,649	\$ 16,128	\$ 24,559	\$ 22,068

Access and Affordability:

The impact of the tuition increases on students will be addressed with additional institutional remissions, aggressive pursuit of outside financial aid dollars and expanded financial aid and academic advising programs.

Oregon Tech Financial Sustainability:

Based on five year projections that assumes modest salary increase for unclassified staff; health insurance and retirement anticipated increases and general inflation increase of 3.2%. Oregon Tech expects to be able maintain a 5% fund balance. Under the Oregon Tech University tuition rate proposals and increased enrollment plans, the institution will be able to maintain financial sustainability.

	Forecast 2015-16
Projected Change in Fund Balance (Revenue less Expenditures)	\$ (2,014)
Beginning Fund Balance (Prior Year Ending Balance)	<u>5,181</u>
Ending Fund Balance	\$ 3,167
Ending Fund Balance % to Revenue	6.1

Proposed Tuition & Fee Rates:

(as approved by the Tuition Recommendation Committee 2015-16)

Base tuition 5% increase

Differential tuition of 15% in specified Engineering & Technology programs

BASE							
Credit Hours	Resident Tuition	Fees					Total Tuition & Fees
		Building	Incidental	Total	Health Service	Total Fees	
1	\$ 162.75	\$23.00	\$160.00	\$183.00	n/a	\$183.00	\$ 345.75
15	\$2,411.25	\$45.00	\$310.00	\$355.00	\$150.00	\$505.00	\$2,916.25

BASE plus DIFFERENTIAL							
Credit Hours	Resident Tuition	Fees					Total Tuition & Fees
		Building	Incidental	Total	Health Service	Total Fees	
1	\$ 187.16	\$23.00	\$160.00	\$183.00	n/a	\$183.00	\$ 353.50
15	\$2,807.40	\$45.00	\$310.00	\$355.00	\$150.00	\$505.00	\$3,312.40

Addendum 1

Oregon Institute of Technology – Background for Proposed Differential Tuition Rates

College of Engineering, Technology and Management

Differential tuition is being charged for the following undergraduate programs offered within the College of Engineering, Technology and Management: Civil Engineering, Electrical Engineering, Renewable Energy Engineering, Manufacturing Engineering Technology, Mechanical Engineering, Mechanical Engineering Technology, Computer Engineering Technology, Software Engineering Technology, Embedded Systems Engineering Technology, Electronic Engineering Technology, Geomatics, and the graduate program Manufacturing Engineering Technology.

Rationale for Differential Tuition

Oregon Tech's mission, reputation and success is founded on providing students with an applied education that enables them upon graduation to become productive and sought after members of their chosen fields. The efficacy of our applied education approach is demonstrated by a 87% graduate success rate (employed or continuing education 6 months after graduation) and an average annual starting salary for graduates of \$56,000. In addition to these performance metrics Oregon Tech's garnered a tie for the #8 ranking of best baccalaureate colleges in the Western Region in US News and World Reports survey of Best Colleges in 2015.

Oregon Tech provides engineering and technology students with a hands-on learning environment that focuses on application of theory to practice. Smaller class sizes (faculty ratio 14:1), state of the art equipment, upgraded software and rigorous curriculums taught by dedicated faculty give students skills that make them workforce ready upon graduation. In addition to the classroom experience Oregon Tech faculty seek out those grant opportunities that allow students to work on applied research with professors which further increases their hands-on experience. Without differential tuition Oregon Tech is at risk of not being able to maintain the equipment required for these applied science degrees and of not being able to retain or recruit the student-committed faculty that these programs require. For the academic year 2015-16 Oregon Tech is proposing a 5% differential (final year of three-year phase-in period of 5% per year as approved by students) for these programs which results in an additional \$7.75 per credit hour charge for residents and \$49.34 for non-residents. For a standard 15 credit hour term a resident will incur an additional \$232.50 (\$697.50 for the academic year) and a non-resident \$740.10 (\$2,220.30 for the academic year.)

Ten percent of the differential tuition for undergraduates is set aside for need-based aid in the programs assessed differential tuition. In addition Oregon Tech does and will continue to pursue additional financial aid for its engineering/technology students through the many initiatives currently available both through federal and private grants and outside sponsorships that are aimed specifically at students enrolled in these programs. The current financial aid and academic advising will be expanded to insure that students are not deterred from enrolling in the programs due to differential tuition costs.

Because of the applied nature of Oregon Tech's engineering and technology programs the delivery costs both in terms of physical plant and equipment and faculty student ratio are higher than those costs for other programs. Currently without a differential tuition for these programs students enrolled in other programs, that do not always have the same opportunities upon graduation, are in effect carrying a part of these costs. When the state appropriations were higher Oregon Tech was able to mitigate the impact of this disparity but with current levels of state funding it is imperative that those receiving the benefit of these more costly programs pay the additional costs.

Based on a sampling of our peer universities as well as some larger universities within the Pacific Northwest (see table below) the differential tuition will not put Oregon Tech at a market disadvantage in recruiting qualified students to its programs.

Academic Year Tuition – 36 Credit Hours	Oregon Tech Proposed	OSU 2014-15	Cal Poly SLO 2014-15	Eastern Wash. Univ. 2014-15	Cascades 2014-15	Idaho State 2014-15
Resident	\$ 6,738	\$ 8,028	\$ 8,928	\$ 8,846	\$ 8,280	\$ 9,849
Non-resident	\$20,514	\$23,292	\$17,856	\$24,559	\$23,904	\$28,989

Differential tuition discussions were part of the agenda discussed by the Student Tuition Recommendation Committee. During a two week period the impact was discussed by the committee with members of the student population impacted by the proposed differential tuition. The differential tuition was also part of the discussions presented by the Student Tuition Recommendation Committee during the all campus tuition forum to discuss the committee's recommendations.

OAR 580-010-0089

Student Involvement in Development of Proposed Resident Undergraduate Tuition Rates

(1) The Board shall establish the tuition and fees to be assessed at each institution in accordance with applicable statutes and upon the recommendation of the institution president and the Chancellor. This section shall not impair the entities of student government or the Board under ORS 351.070(3)(d).

(2) Each institution will establish a process for student participation in the development of recommended rates for resident undergraduate tuition. The planned process will be communicated to the duly elected student government for discussion and input.

(3) Prior to the formal submission of proposed tuition rates to the Chancellor, or designee, the institution president, or designee, will provide an opportunity for the duly elected student government to consider and comment on the proposed rates. Efforts shall be made by both the appropriate student representatives and members of the university administration to accomplish this exchange in a timely manner that 1) provides for adequate student consideration and takes into account the academic calendar and 2) allows institutions to meet necessary deadlines for submission of proposals.

(4) As part of formally submitting rate proposals to the Chancellor, or designee, the institution president (or designee) will convey: 1) the process used by that institution to involve students in the development of recommended tuition rates and 2) the specific resident undergraduate tuition rates being proposed.

Stat. Auth.: ORS 351

Stats. Implemented:

Hist.: OUS 6-2012, f. & cert. ef. 6-18-12

ACTION ITEM

Agenda Item No. 3.2

Create Committee Charter and Recommend to Board for Approval

Summary

The Finance and Facilities Committee is a standing committee of the Oregon Tech Board of Trustees. Each committee must develop a charter for approval by the Board.

Background

Section one of the Board Policy on Board Committees states that the Finance and Facilities Committee is one of three standing committees of the Board. Each committee must develop a charter defining the duties, membership, and reporting requirements, for approval by the Board.

Staff Recommendation

- Review and discuss proposed charter.
- Move to recommend approval of the Finance and Facilities Committee Charter to the board as proposed (or amended).

Attachments

- Proposed charter

FINANCE AND FACILITIES COMMITTEE PROPOSED CHARTER

The Finance and Facilities Committee is established to assist the Board in its oversight of the integrity of the University's financial operations; capital acquisition and related debt; long term economic health; long term facilities development; and risk management. The Committee consists of the trustees appointed by the Board Chair. The Vice President for Finance and Administration is staff to the Committee.

The committee is responsible for oversight of the institutions financial practices and standards of conduct. The Committee's areas of responsibilities include:

1. Reviewing and recommending to the Board annual and long-range operating and capital budgets and requests for appropriation of state funds;
2. Reviewing and recommending to the Board university treasury management policies and agreements which includes investment policy statement and guidelines;
3. Reviewing and recommending to the Board requests and plans for issuance of debt;
4. Reviewing quarterly and annual investment reports;
5. Overseeing matters related to tuition and mandatory enrollment fees;
6. Overseeing matters related to the acquisition, management, development and disposal of real and personal property;
7. Review capital construction budgets and project prioritization;
8. Monitoring financial performance and reporting to the Board as appropriate; and
9. Monitoring matters relating to risk management, insurance, and risk transfer devices.

When sitting as the Audit Committee the Committee is responsible for:

10. Ensuring compliance with legal and regulatory requirements; and
11. Overseeing matters relating to external and internal auditors, audit plans and reports, and internal controls.

This committee also serves as the Audit committee to assist the Board in overseeing audit activities, the Committee is empowered to perform the following duties:

External Audit

1. Review and approve the selection of the external audit firm to be recommended to the State to perform the annual financial statement and federal compliance audit;
2. Review and approve the annual external audit of the Oregon Tech financial statements and A-133 federal compliance procedures; and
3. Review audit reports issued by the Oregon Secretary of State Audits Division.

Internal Audit

4. Participate in the annual audit planning risk assessment process and approve the annual audit plan; and
5. Review and approve audit reports detailing the result of recommendations and follow-up procedures and receive periodic reports as deemed necessary.

The Committee is responsible for such other matters as may be referred to it by the Board.

The internal audit will follow the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. The Office of the Vice President for Finance and Administration (or the Board Secretary) is responsible for providing staff support to the Committee.

DISCUSSION ITEM

Agenda Item No. 4.1

Periodic Operating Management Report

Summary

The second period Oregon Tech Periodic Management Report, February 28, 2015 was prepared by the Oregon Tech Office of Budget and Resource Planning. The Oregon Tech Second Period FY2015 Operating Management Report presents the second period (October 1, 2014-February 28, 2015) operating results for the three operating fund groups: Education and General, Self-Support, and Restricted funds.

Background

The periodic management report is a summary level report that compares year-to-date actual activity relative to the projected total for the year to the same relationship in prior years or to expected current year totals to provide early warning of unaccepted operating trends.

Staff Recommendation

No action required. This item is informational only and for discussion.

Attachments

- Oregon Tech Second Period FY2015 Operating Management Report as of February 28, 2015

Oregon Tech
Periodic Operating
Management Report

(unaudited for management purposes only)

As of February 28, 2015
For the Fiscal Year Ending June 30, 2015

	YTD Actual		Budget & YE Projection				F
	A	B	C	D	E		
	YTD as of 2/28/15	YTD as a % of Projected	FY 2015 Adopted Budget	YE Projection at 6/30/15	Variance from Adopted Budget	Notes	Prior Year Ending 6/30/14
(in thousands except enrollment)							
EDUCATION & GENERAL							
State General Fund	\$17,174	83.0%	\$20,518	\$20,683	\$165	(1)	\$17,953
Tuition & Fees, net of Remissions	24,151	94.1%	25,470	25,668	198	(2)	25,409
Other Revenue	434	59.4%	900	731	(169)	(3)	843
Total Revenues	41,759		46,888	47,082	194		44,205
Personnel Costs	22,243	59.6%	37,526	37,316	(210)	(4)	33,848
Supplies & Services (S&S)	5,646	57.0%	9,723	9,908	185	(5)	7,388
Capital Outlay	137	17.3%	1,462	793	(669)	(6)	525
Total Expenditures	28,026		48,711	48,017	(694)		41,761
Net from Operations	13,733		(1,823)	(935)	888		2,444
Transfers In	-		-	-	-		613
Transfers Out	(1,297)	61.8%	(2,100)	(2,100)	-	(7)	(787)
Fund Additions/(Deductions)	431	77.1%	-	559	559	(8)	-
Change in Fund Balance	12,867		(3,923)	(2,476)	1,447		2,270
Beginning Fund Balance	8,686		8,686	8,686	8,686		6,416
Ending Fund Balance	\$21,553		\$4,763	\$6,210	\$10,133	(9)	\$8,686
% Operating Revenues	51.6%		10.2%	13.2%			19.6%
Student FTE Enrollment	2,119			3,011		(10)	2,993

- (1) State General Fund - OUS incentive funding of \$176k less E-Board adjustments of \$11k; includes ETIC funding of \$540k
- (2) Tuition & Fees - Additions include unanticipated winter term tuition of \$298k; decrease in international exchange remission of \$24k less decrease in fees of \$124k
- (3) Other Revenue - Reductions include less indirect cost recovery than budgeted of \$148k; less investment income of \$30k; unanticipated loss of TOP grant funding of \$31k net of increased revenue from miscellaneous fees of \$40k
- (4) Personnel Costs - Decrease in compensation expenses due to delays in filling vacant positions; salary adjustments \$109k and incentive funding delay to future years of \$101k
- (5) S&S - Increase due to reclassification from capital outlay \$327k; increase in costs of \$47k; reclassification to capital for library acquisitions \$50k; and reduction due to delay of incentive funding to future years of \$139k
- (6) Capital Outlay - Decrease due to reclassification from S&S for library acquisitions \$50k; additional instructional equipment \$88k; reclassification to S&S \$327k; reduction of \$321k and delay to FY2016 STEM Hub match \$159k
- (7) Transfers Out - Includes support for Athletics \$1.024M; Shaw Library \$15k and debt service for Wilsonville \$607k and Dow Center \$454k
- (8) Fund Additions - To cover bond interest expense \$431 and OUS internal bank cash distribution settlement \$128k
- (9) Fund Balance Commitments - Includes academic incentive funding of \$416k and STEM Hub 2016 matching funds of \$159k
- (10) Student FTE Enrollment - Actual includes Summer, Fall 2014 and Winter 2015; projected also includes estimated Spring 2015

DISCUSSION ITEM

Agenda Item No. 4.2

2014 Annual Financial Statement

Summary

The report titled Oregon Tech 2014 Annual Financial Report was prepared by the Chancellor's Office and the financial statements included within were audited by CliftonLarsonAllen, LLP, under contract to the Secretary of State, Audits Division. The audit opinion issued by CliftonLarsonAllen, LLP, is an unmodified opinion, which means that their opinion as to the fair presentation of the financial statements was issued without modifications. CliftonLarsonAllen, LLP will be responsible for presenting the report.

Background

This Oregon Tech 2014 Annual Financial Report is the first in the history of the University to have been prepared separately from the Oregon University System. The Oregon University 2014 Annual Financial Report of which Oregon Tech is a component can be found on the report titled Oregon University System 2014 Annual Financial Report.

(see http://www.ous.edu/sites/ous.edu/files/contdiv/annual_financial_reptg/fy2014_ous_afs.pdf)

Oregon Tech has recently contracted with University Shared Services Enterprises to prepare a separate Oregon Tech 2015 Annual Financial Report. In addition, CliftonLarsonAllen, LLP has also been contracted to perform the audit on the financial report. The Oregon University System (OUS) 2015 Annual Financial Report of which Oregon Tech, Eastern Oregon University, Southern Oregon University and Western Oregon University will be included will be the last and final annual financial report issued by OUS.

Staff Recommendation (and/or Committee Recommendation)

Subject to the report of CliftonLarsonAllen, LLP, staff recommends the Finance & Facilities Committee accept the Oregon Institute of Technology 2014 Annual Financial Report.

Attachments

- 2014 Annual Financial Report – sent under separate cover
- CliftonLarsonAllen's Independent Auditors' Report
- CliftonLarsonAllen's Independent Auditors' Report on Internal Control
- Oregon Institute of Technology Management Representation Letter for Year 2014



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Oregon Institute of Technology (the University), an institution of higher education of the Oregon University System (the System), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matters

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the the schedule of funding progress of Other Post Employment Benefits on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

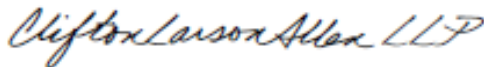
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 24, 2014



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

Oregon Institute of Technology Board of Trustees
Klamath Falls, Oregon

Oregon Secretary of State Audits Division
Salem, Oregon

We have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Oregon Institute of Technology (University), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 24, 2014



November 24, 2014

CliftonLarsonAllen LLP
8390 East Crescent Parkway, Suite 600
Greenwood Village, CO 80111

This representation letter is provided in connection with your audits of the financial statements of Oregon Institute of Technology (the University), which comprise the respective financial position of the business-type activities and the aggregate discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 24, 2014, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2014.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 11, 2014, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

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- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed
- There were no uncorrected misstatements. You have proposed adjusting journal entries that have been posted to the University's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the University is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the University's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded, if applicable.

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- We believe that all material expenditures that have been recorded as prepaid expenses and deferred outflows will be recoverable in future periods.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
- We agree with the findings of specialists (actuary) in evaluating the incurred but not reported claim liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- We believe we have appropriately reported and disclosed the effect of the implementation of GASB 65 *"Items Previously Reported as Assets and Liabilities"*.
- We believe we have appropriately reported and disclosed the effect of the implementation of GASB 66 *"Technical Corrections – 2012. An amendment of GASB statements No. 10 and No. 62"*.
- We believe we have appropriately reported and disclosed the effect of the implementation of GASB 70 *"Accounting and Financial Reporting for Non-exchange Financial Guarantees"*.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the University from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - Access to all audit or relevant monitoring reports, if any, received from funding sources.
 - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 - We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
-
- We have no knowledge of any fraud or suspected fraud that affects the University and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
 - We have no knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, grantors, regulators, or others.
 - We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
 - We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 - There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
 - We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.
 - The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
 - We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.
 - We have a process to track the status of audit findings and recommendations.
 - We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
 - We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
 - We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the University, including tax or debt limits and debt contracts;

and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds/accounts.

-
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - The University has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
 - We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
 - We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
 - The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations, as applicable.
 - The financial statements properly classify all funds and activities.
 - Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
 - Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
 - Provisions for uncollectible receivables have been properly eliminated.
 - Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
 - Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- We have appropriately disclosed the University's practice regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the current practice.
-
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
 - We agree with the findings of specialists in evaluating claims liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amount derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
 - The University has not been notified by the U.S. Department of Education of the loss of eligibility for one or all of the Title IV programs due to high default rates.
 - The University has reported to the U.S. Department of Education for investigations all known criminal misconduct involving Title IV funds by any student, employee, third-party servicer, or other agent of the institution involved in the administration of the System's Title IV programs.
 - The University or its employees have not received any direct or indirect benefits from lenders related to the System's Title IV loan programs.
 - With respect to federal award programs:
 - We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
 - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.

- We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have complied with the direct and material compliance, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- We have disclosed to you the findings, if any, received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received, if any, and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-21, *Cost Principles for Educational Institutions* and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance was audited.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings, if any, by federal awarding agencies and pass-through entities, including all management decisions.

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November 24, 2014
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- We are responsible for preparing a corrective action plan and taking corrective action on each audit finding, if any.



President



Vice President for Finance and Administration