



Oregon **TECH**



2015 Annual Financial Report

Oregon Institute of Technology

A member of the Oregon University System

www.oit.edu

Hands-on education for real-world achievement



Oregon Institute of Technology 2015 Annual Report

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Sandra Fox
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About the University

The Oregon Institute of Technology (Oregon Tech) is an institution founded on the principles of excellence through hands-on knowledge. We believe in giving students a rigorous, practical education while applying cutting-edge concepts for real-world solutions.

As the Pacific Northwest's only public institute of technology, we take pride in our mission to deliver technology education. We continually partner with industry leaders to ensure that we adapt to new technology and that our programs and classes are high-quality to prepare students for workforce demands.

This real-world focus gives our students a competitive edge: almost 90 percent are either employed or enrolled in graduate school within six months after graduation. Year after year, our baccalaureate graduates earn excellent starting salaries. New graduates earn an average starting salary of \$54,000 per year. We also attribute this to our dedicated professors, who provide personalized attention and are genuinely invested in their students' learning. A total enrollment of about 4,400 allows for an intimate campus environment distinguished by small classes and a student-to-faculty ratio of 20:1. This personal approach provides many benefits of a prestigious private education at a public price.

Hands-on Education

Our individualized and applied approach to teaching, which blends theory and practice, is the main reason our graduates are so avidly recruited. Whether they study software engineering, vascular technology, management, or dental hygiene, Oregon Tech students have amazing opportunities to apply what they learn in lab-based classes, clinics, externships and workplaces. This practical focus is reinforced in the classroom by instructors who come to Oregon Tech with relevant business, industrial, or clinical experience.

And in every program, major studies are underscored by a general-education core that broadens students' understanding of the world and teaches them to communicate effectively, solve problems and think for themselves. Oregon Tech is best known for its traditional engineering and technological core, but new degree options (and surprising twists on old ones) are remarkably multi-dimensional. A Geomatics student might use GIS technology to survey an archeological excavation, or a Mechanical Engineering student may complete a cross-disciplinary application in sustainability. A Communication Studies major might compile a technical manual for an Oregon Renewable Energy Center project. Information Technology and Health Informatics or Management students might specialize in allied health management.





MISSION

Oregon Institute of Technology, a member of the Oregon University System, offers innovative and rigorous applied degree programs in the areas of engineering, engineering technologies, health technologies, management, and the arts and sciences. To foster student and graduate success, the university provides an intimate, hands-on learning environment, focusing on application of theory to practice. Oregon Tech offers statewide educational opportunities for the emerging needs of Oregon's citizens and provides information and technical expertise to state, national and international constituents.

CORE THEMES

- Applied Degree Programs
- Student and Graduate Success
- Statewide Educational Opportunities
- Public Service

Oregon Tech Strategic Plan:
www.oit.edu/faculty-staff/resources/strategic-plan



Message from the President

Change and opportunity have been the guide words for Oregon Tech this year. With the historic shift in higher education in Oregon, from a centralized university system to a decentralized group of public universities, came Oregon Tech's new Board of Trustees. An impressive group of leaders from diverse industries and backgrounds, the Board's commitment to our university is already apparent in their focus on the intense foundational work that they tackled in their first six months. We look forward to the strategy and innovation that our Trustees will provide as they work with faculty, staff, students and our communities to make our university the very best it can be. This includes the promise of greater donor bandwidth to support our students with scholarships, and support our university with funding for capital construction, endowed chairs, and matching for grants that ensure better outcomes for our students.

As the state's premier polytechnic institution, Oregon Tech produces graduates – most of them Oregonians – to serve the state's and region's most in-demand industries: engineering, healthcare, technology, and fields including applied science and applied social sciences. STEM graduates are fueling the needs of the U.S. and our global marketplace and almost 90 percent of Oregon Tech's programs produce highly educated and skilled professionals in science, technology, engineering and math. Outcomes-based funding is the new rubric in higher education, and Oregon Tech is leading the state in producing graduates who produce high returns for the state and for themselves.

A groundswell of recognition for Oregon Tech over the last year from national entities who pay attention to graduates' ROI is an endorsement of our mission: producing highly skilled graduates who are ready to work on Day 1 because they've already done the work. Internships, externships, labs and field study begin

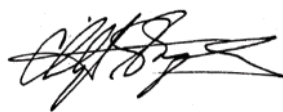
for our students when they are freshmen, so by the time they graduate they have direct experience that means a level of readiness rarely seen in college graduates. While

our students pay comparable tuition to and borrow at levels similar to other public universities in the state and region, few can claim the high average starting salaries that Oregon Tech graduates achieve (\$54,000 a year) or the almost 90 percent success rate of being employed or pursuing an additional degree within six months of graduation.

Oregon Tech is optimistic about the future: our faculty are preparing students with such rigor that they score among the top graduates in the nation in professional exams – such as those for engineers and medical practitioners; our state funding is beginning to tick up after years of losses

during the recession; we anticipate support for funding a new engineering building; our students and programs are winning regional and national awards in programs such as civil engineering and respiratory care; our students are out in our communities volunteering their time and expertise to help organizations tackle problems and engage with youth; and our sports teams, which offer a college access point for students, continue to be successful on the court and field, producing leaders and team players whose skills translate well in work and life after graduation.

We're positive about our future because we have the assets in place to ensure that we are meeting our critical mission of serving students and the state, for the benefit of all Oregonians.



Christopher G. Maples
President



Chris Maples
Oregon Tech President

Top University Accomplishments

- Oregon Tech welcomed its inaugural Board of Trustees this year, a milestone event that provides the institution with its own governing board rather than being under the State Board of Higher Education, which was decommissioned at the end of June 2015. A diverse board in all respects, the Trustees began their work in January 2015 to perform the necessary transitions from the prior governance system to their oversight role, and officially began their full responsibilities on July 1, 2015.
- Two new programs launched at Oregon Tech this year are the first bachelor's degrees of their type in the state: Population Health Management which focuses on the impact of social, cultural, economic, and environmental factors on the health of any given community; and Emergency Medical Services Management, with our partner Oregon Health & Science University which also prepares graduates to provide more effective emergency and population-specific care and support.
- The Respiratory Care Program at Oregon Tech was recognized for being among the top 2 percent of respiratory care programs in the United States by the Commission on Accreditation for Respiratory Care (CoARC) as a recipient of the Distinguished Registered Respiratory Therapist (RRT) Credentialing Success Award.
- Enrollment in Fall 2014 at the Wilsonville campus increased by 6 percent over 2013, and by 44 percent in the last two years, as more students access Oregon Tech's in-demand programs, an accomplishment credited to the hard work of faculty and staff across the entire university, including Klamath Falls. Retention efforts have increased returning/continuing students fairly significantly by 3.6 percent. Campus diversity also continued to improve in Fall 2014, with 26.6 percent students of color, mixed heritage now enrolled.
- Oregon Tech continued to receive many accolades this year, with a growing number recognizing the high return on investment (ROI) our graduates gain. Among the most highly regarded: Top 100 Best Colleges in *TIME MONEY*; *Forbes* Top 20 percent of colleges and universities nationally and #3 in the nation; #8 for best baccalaureate colleges in the Western Region in *US News and World Report's* survey of Best Colleges 2015; and one of the best ROI's among colleges and universities in the Pacific Northwest by *PayScale.com* based on students' return on their tuition and borrowing investments, including most recently 7th out of 9 non-Ivy colleges with "better bang for the buck" than Harvard or Yale.
- The Oregon Tech Student Chapter of Institute of Transportation Engineers (ITE) won the coveted Bill Kloos Trophy for first place in the Oregon ITE Traffic Bowl on November 20th at Portland State University. The Jeopardy-style contest pits the Northwest's brightest transportation students against each other and tests students on their knowledge of transportation planning, engineering, and history.
- Athletics scored some major 2014-15 accomplishments in the National Association of Intercollegiate Athletics, including: Oregon Tech's Women's Softball Team ended the season in the #4 position nationally in the post-season national NAIA Coaches' poll; and Joelle Swanson made history, becoming Oregon Tech's first ever female Track and Field National Champion, setting a new school and personal record with her throw of 158'-0.25" (48.16 M) in the Javelin.
- Oregon Tech hosted Catalyze Klamath Falls Challenge, specifically targeting business growth and relevant project experiences for students, with the ultimate goal to encourage Oregon Tech students and recent alumni to start businesses in Klamath Falls, and spurred by investments from Sen. Whitsett, Rep. Whitsett, and Klamath County Commissioners.



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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 Tech (the University), an institution of higher education of the Oregon University System (the System), as of and for the years ended June 30, 2015 and 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, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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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, 2015 and 2014, the changes in its financial position, or its cash flows for the years 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.

As discussed in Note 1(B), to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1(S).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis as listed in the table of contents and the Schedule of Oregon Tech's Contributions, the Schedule of Oregon Tech's Proportionate Share of the Net Pension Asset, and the Schedule of Funding Status of Other Postemployment Benefits on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 December 15, 2015, 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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 15, 2015



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Oregon Institute of Technology (Oregon Tech) for the years ended June 30, 2015, 2014 and 2013. Oregon Tech has two campuses, located in Klamath Falls and Wilsonville.

ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT SUMMARY:

	2015	2014	2013	2012	2011
Oregon Tech	2,983	2,993	2,900	2,743	2,674

UNDERSTANDING THE FINANCIAL STATEMENTS

The MD&A focuses on Oregon Tech as a whole and is intended to foster a greater understanding of Oregon Tech's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements which have the following six components:

Independent Auditors' Report presents an unmodified opinion rendered by an independent certified public accounting firm, CliftonLarsonAllen LLP, on the fairness in presentation (in all material respects) of the financial statements.

Statement of Net Position (SNP) presents a snapshot of Oregon Tech assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much Oregon Tech owes to vendors and bond holders, and net position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents Oregon Tech revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports the Oregon Tech operating results for each fiscal year presented.

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

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

The Component Unit, comprised of a supporting foundation, is discretely presented in the Oregon Tech financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of Oregon Tech's financial activities based on currently known facts, decisions, and conditions. The MD&A discusses the current and prior year results in comparison to the current and two previous fiscal years. Unless otherwise stated, all years refer to the fiscal year ended June 30.

STATEMENT OF NET POSITION

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

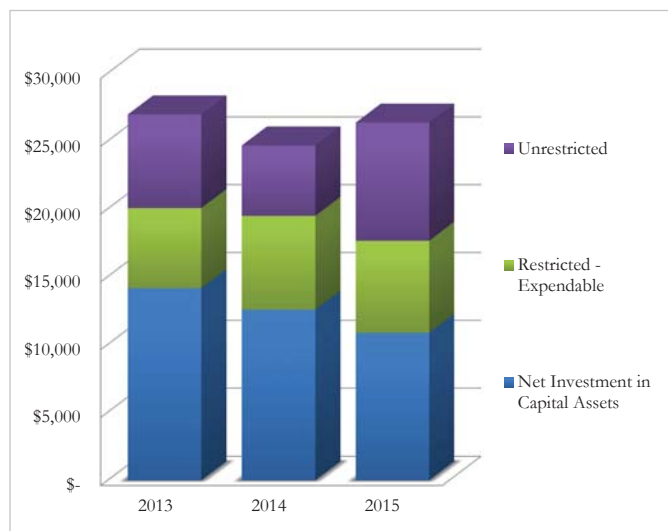
Condensed Statement of Net Position

As of June 30,	2015	2014	2013
Current Assets	\$ 14,495	\$ 16,519	\$ 13,748
Noncurrent Assets	25,089	11,759	12,816
Capital Assets, Net	95,257	96,885	98,665
Total Assets	\$ 134,841	\$ 125,163	\$ 125,229
Deferred Outflows of Resources	\$ 3,475	\$ 1,795	\$ 1,758
Current Liabilities	\$ 15,628	\$ 11,446	\$ 8,771
Noncurrent Liabilities	92,208	90,836	91,258
Total Liabilities	\$ 107,836	\$ 102,282	\$ 100,029
Deferred Inflows of Resources	\$ 4,116	\$ -	\$ -
Net Investment in Capital Assets	\$ 10,858	\$ 12,568	\$ 14,158
Restricted - Expendable	6,789	6,916	5,900
Unrestricted	8,717	5,192	6,900
Total Net Position	\$ 26,364	\$ 24,676	\$ 26,958

TOTAL NET POSITION

Changes to Total Assets reflected a larger increase than changes to Total Liabilities which caused Total Net Position to increase \$1,688 or 7 percent during 2015 as compared to a decrease of \$2,282 or 8 percent in 2014.

As illustrated by the following graph, the make-up of net position changed between 2015, 2014 and 2013.



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

Comparison of fiscal year 2015 to fiscal year 2014

Net Investment in Capital Assets decreased \$1,710.

- Capital asset increases of \$3,004 were mainly offset by a \$4,561 increase to accumulated depreciation and a \$82 increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Position decreased \$127.

- Net position relating to funds reserved for debt service increased by \$3.
- Net position relating to the funding of capital projects decreased \$73 primarily as a result of the completion of construction projects.
- Net position related to gifts, grants and contracts increased \$153 due mainly to a \$105 increase in grants and a \$47 increase in endowment reserves.
- Net position related to student loans decreased \$210 due primarily to an increase in the allowance for bad debt on Perkins Loans.

Unrestricted Net Position increased \$3,525 due in large part to the following: increases from operations added \$1,609; changes associated with year-end liability accruals for PERS State and Local Rate Pool (SLGRP), Other Post Employment Benefits (OPEB) and the implementation of GASB Statement No. 68 decreased Unrestricted Net Position by \$1,064 - SLGRP changes increased Unrestricted Net Position \$81; OPEB decreased Unrestricted Net Position by \$38; and the implementation of GASB Statement No. 68 decreased Unrestricted Net Position by \$1,107. In addition, the transfer of assets from the Chancellor's Office added \$2,980 to the Unrestricted Net Position.

Comparison of fiscal year 2014 to fiscal year 2013

Net Investment in Capital Assets decreased \$1,590.

- Capital asset increases of \$3,513 were offset primarily by a \$4,262 increase to accumulated depreciation and a \$1,826 increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Position increased \$1,016.

- Net position relating to funds reserved for debt service increased \$839 due to increased debt service resulting from the issuance of new bonds.
- Net position reserved for capital construction projects decreased \$13.
- Net position restricted for gifts, grants and contracts increased \$171 primarily due to a \$104 increase in grants, a \$27 increase in gifts, and a \$40 increase in endowment reserves.
- Net position restricted for student loans increased \$19.

Unrestricted Net Position decreased by \$1,708 resulting mainly from unrestricted expenses exceeding unrestricted revenues.

TOTAL ASSETS AND LIABILITIES

Total Assets increased \$9,678 or 8 percent, and Total Liabilities increased \$5,554 or 5 percent during the year ended 2015. Total Assets decreased \$66, or less than 1 percent, and Total Liabilities increased \$2,253 or 2 percent during the year ended 2014. Securities lending is excluded from the following discussion and analysis because the net activity is zero (equal amounts of assets and liabilities, equal amounts of income and expense) and its inclusion can distort the analysis of the business activities

of Oregon Tech. See "Note 2. Cash and Investments" for additional information relating to securities lending. Absent the securities lending balances, 2015 Total Assets increased \$9,487 or 9 percent and Total Liabilities increased \$5,363 or 5 percent. 2014 Total Assets decreased \$183 or less than 1 percent and Total Liabilities increased \$2,136 or 2 percent. Current obligations exceed current assets.

Comparison of fiscal year 2015 to fiscal year 2014

Current Assets decreased \$2,215 or 14 percent.

- Current Cash and Cash Equivalents decreased \$3,537 primarily due to a change in the OUS investment strategy resulting from the change in governance.
- Accounts Receivable increased \$332 due to increases in accounts receivable for state, other government, and private gifts, grants, and contracts, as well as other accounts receivable. These increases were offset by decreased accounts receivable for student tuition and fees, auxiliary operations, and other accounts receivables.
- Current Notes Receivable decreased \$175 due primarily to an increase in the allowance for doubtful accounts.
- Inventories increased \$44.
- Prepaid Expenses increased \$1,121 primarily due to a change in the accounting treatment for contributions to the sinking fund.

Noncurrent Assets increased \$13,330 or 113 percent.

- Noncurrent Cash increased \$2,624 due mainly to the transfer of student building fees from the Chancellor's Office to Oregon Tech and an increase in year end cash balances in capital construction funds.
- Investments increased \$8,687 due primarily to a change in the OUS investment strategy resulting from changes in university governance.
- Noncurrent Notes Receivable decreased \$114 due primarily to an increase in the allowance for doubtful accounts.
- Oregon Tech recorded a net pension asset of \$2,133 due to the implementation of GASB No. 68.

Capital Assets, Net decreased \$1,628, or 2 percent, due mainly to the following:

- Capitalized acquisitions net of disposals and adjustments includes \$1,985 in real property and net disposals of \$1,132 in personal property.
- Accumulated depreciation increased by \$2,647. See "Capital Assets" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources increased \$1,680 or 94 percent.

- Deferred outflows related to deferred gain/loss on long-term debt bond refunding increased \$804. See Note 8 "Long Term Liabilities" for more information on this change.
- Oregon Tech recorded \$876 in deferred outflows as a result of the implementation of GASB No. 68. See Note 13 "Employee Retirement Plans" for more information on this change.

Current Liabilities increased \$3,991 or 38 percent.

- The current portion of Long-Term Liabilities increased by \$1,660 due to an increase in new debt for capital projects.
- Accounts Payable and Accrued Liabilities increased \$314 due mainly to increases in refunds payable and salaries and wages



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

payable. These increases were offset by a decrease in contract retainage payable.

- Unearned revenue increased by \$1,115 due to increased revenues for prepaid tuition and fees as well as for grant and gift funds.
- Deposits increased \$902.

Noncurrent Liabilities increased \$1,372 or 2 percent, primarily due to debt issued for the construction of capital assets.

Deferred Inflows of Resources were recorded for the first time in 2015. Oregon Tech recorded \$4,116 of Deferred Inflows to account for the difference between the projected and actual earnings on pension plan investments. See Note 13 "Employee Retirement Plans" for more information on this change.

Comparison of fiscal year 2014 to fiscal year 2013

Current Assets increased \$2,654 or 21 percent.

- Cash and cash equivalents increased \$3,126 due to a change in the OUS investment strategy resulting from impending governance changes.
- Accounts receivable increased \$1,375 mainly due to student tuition and fees. The allowance for doubtful accounts offset to the receivables also increased. See "Note 3. Accounts Receivable" for more details on this variance.
- Current Notes Receivable decreased \$123 due primarily to decreases in the Current Notes Receivable for institutional and other student loans.
- Inventories increased \$4.
- Prepaid Expenses decreased \$1,728.

Noncurrent Assets decreased \$1,057 or 8 percent.

- Noncurrent cash increased \$1,066 due primarily to a change in accounting for cash in agency funds.
- Investments decreased \$2,329 due to a change in the OUS investment strategy resulting from changes in university governance effective July 1, 2014.
- Noncurrent notes receivable increased \$206.

Capital Assets, Net decreased \$1,780 or 2 percent.

- Capitalized acquisitions net of disposals and adjustments included net additions of \$2,737 in real property and net disposals of \$322 in personal property.
- Accumulated depreciation increased by \$4,195. See "Capital Assets" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources remained relatively unchanged.

Current Liabilities increased \$2,558 or 32 percent.

- Accounts payable and accrued liabilities increased \$1,610 due primarily to an increase in contract retainage payable and salaries and wages payable.
- Deposits increased \$75.
- The current portion of long-term liabilities increased \$2,407 due to increased borrowing in prior years.
- Unearned revenue decreased \$1,534.

Noncurrent Liabilities decreased \$422 or less than 1 percent. This was primarily due to the closeout of Internal Bank Loans.

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

Due to the classification of certain revenues as nonoperating revenue, Oregon Tech shows a loss from operations. State General Fund Appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) Statement No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of Oregon Tech:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30,	2015	2014	2013
Operating Revenues	\$ 33,026	\$ 30,208	\$ 29,479
Operating Expenses	61,379	58,836	55,744
Operating Loss	(28,353)	(28,628)	(26,265)
Nonoperating Revenues, Net of Expenses	26,866	24,332	24,570
Other Nonoperating Items	4,090	2,014	3,010
Special and Extraordinary Items	2,980	-	-
Increase in Net Position	5,583	(2,282)	1,315
Net Position, Beginning of Year	24,676	26,958	25,643
Change in Accounting Principle	(3,895)	-	-
Net Position, End of Year	\$ 26,364	\$ 24,676	\$ 26,958

Net Position increased by \$1,688 or 7 percent in 2015 compared to a \$2,282 or 8 percent, decrease in 2014.

Revenues

Revenues increased \$11,410 or 19 percent, in 2015 over 2014.

Total Operating and Nonoperating Revenues

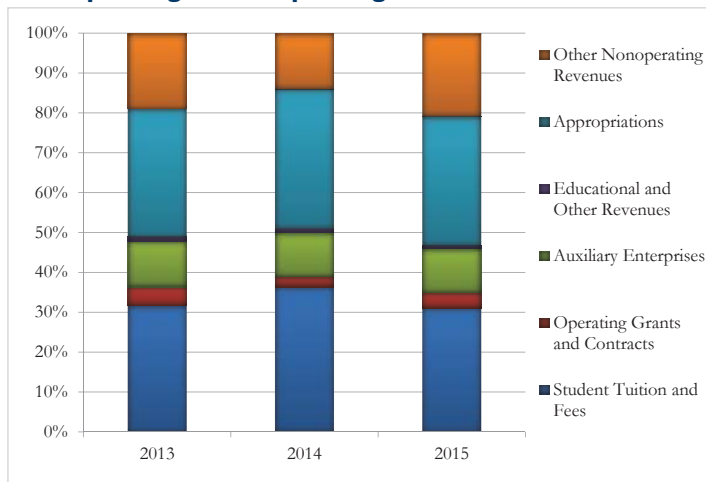
For the Year Ended June 30,	2015	2014	2013
Student Tuition and Fees	\$ 21,933	\$ 21,488	\$ 19,066
Grants and Contracts	2,685	1,528	2,782
Auxiliary Enterprises	7,805	6,609	6,950
Educational and Other	603	583	681
Total Operating Revenues	33,026	30,208	29,479
Appropriations	22,860	20,703	19,283
Financial Aid Grants	7,015	7,125	7,250
Investment Activity	372	330	253
Capital Grants and Gifts	1,557	470	785
Other Nonoperating Items	5,784	368	3,125
Total Nonoperating Revenues	37,588	28,996	30,696
Total Revenues	\$ 70,614	\$ 59,204	\$ 60,175



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased \$2,818 in 2015, or 9 percent over 2014, to \$33,026. Operating revenues increased \$729 in 2014, or 2 percent over 2013.

Comparison of fiscal year 2015 to fiscal year 2014

Student Tuition and Fees increased \$445 or 2 percent.

- Higher tuition and fee rates accounted for \$841 of the increase, while decreased enrollment decreased the total by \$95.
- Fee remissions and scholarship allowances reduced tuition and fees by \$502 more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by \$201.

Federal, State and Nongovernmental Grants and Contracts increased \$1,157 or 76 percent.

- Federal grant and contract revenues decreased \$235 due to a decrease in federal grants awarded.
- State and local grant activity increased \$1,269 primarily due to increases in grants from the State of Oregon.
- Nongovernmental grant activity increased \$123.

Auxiliary Enterprise revenues increased \$1,196 or 18 percent due mainly to the following:

- Student Health, Building and Incidental Fee revenue increased \$36.
- Housing and Dining revenues increased \$1,086 with revenues of \$4,012, offset by scholarship allowances of \$658.
- Athletics revenues remained relatively unchanged.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased \$2,422 or 13 percent.

- Tuition and fee revenue increased \$2,390 resulting from increased rates as well as increased enrollment.
- Fee remissions increased \$247 while scholarship and bad debt allowances decreased a combined \$279.

Federal, State and Nongovernmental Grants and Contracts decreased \$1,254 or 45 percent.

- Federal grant and contract revenues decreased by \$1,280 primarily due to a decrease in federal grants awarded.
- State and Local grant activity decreased \$136 due primarily to the completion of grants awarded by the State of Oregon.
- Nongovernmental grant activity increased \$162.

Auxiliary Enterprise revenues decreased \$341 or 5 percent due primarily to the following:

- Housing and Dining revenues decreased \$251 with revenues of \$2,787, offset by bad debt and scholarship allowances of \$564.
- Student Health, Building and Incidental Fee revenue decreased \$175 due primarily to less revenue from student health services.
- Athletic revenues remained relatively unchanged.

Nonoperating Revenues

The increase in Nonoperating Revenues of \$8,592 during 2015 resulted from increases in most of the related categories. The decrease in Nonoperating Revenues of \$1,700 during 2014 resulted primarily from larger losses on the sale of assets and decreases in other nonoperating items, offset by an increase in government appropriations.

Comparison of fiscal year 2015 to fiscal year 2014

Government Appropriations increased \$2,157 or 10 percent.

- State appropriations for Oregon Tech operations increased by \$2,232 or 12 percent due to increased funding received from the State of Oregon.
- Debt service appropriations decreased \$75.

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

Financial Aid Grants decreased by \$110 or 2 percent.

Investment Activity revenues increased \$42 or 13 percent. See "Note 10. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased \$1,087, or 231 percent.

Other Nonoperating Items and Special and Extraordinary Items increased a combined \$5,416.

- Other gifts increased by \$378 mainly due to increased gifts from private individuals.
- Other gifts were offset by a prior period adjustment for the pre-SLGRP liability which increased other nonoperating items \$10, prior year adjustments to fixed assets which decreased the total by \$48, and a decrease in internal bank interest expense of \$3.
- Other changes included \$2,980 transferred to Oregon Tech as a result of the change in entity (see "Note 9. Change in Entity" for additional information about these transactions), an increase of transfers within OUS of \$1,064, and losses on the sale of assets which were \$1,029 less than in the previous year.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased \$1,420 or 7 percent.

- State appropriations for Oregon Tech operations increased by \$1,593 or 10 percent due to higher funding received from the State of Oregon.
- Appropriations for debt service decreased \$173 due to lower levels of state funded debt service in 2014. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

Financial Aid Grants decreased \$125.

Investment Activity revenues increased \$77 or 30 percent.

Capital Grants and Gifts decreased \$315 or 40 percent.

Other Nonoperating Items decreased \$1,218 due to a \$1,226 decrease in gift revenues, offset by adjustment to the prior year's fixed assets.



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

Expenses

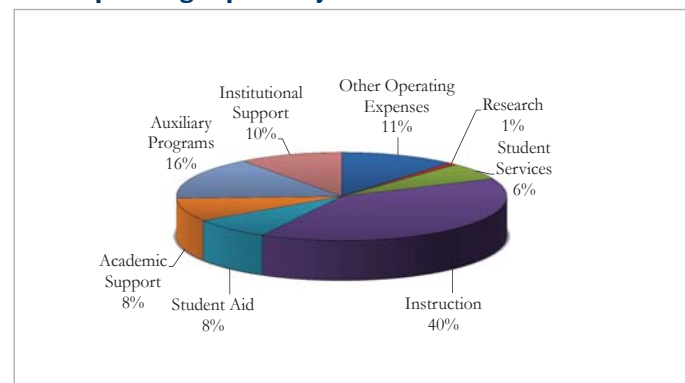
Operating Expenses

Operating expenses increased \$2,543 in 2015 or 4 percent, over 2014, to \$61,379. The 2015 increase resulted from higher expenses in many categories, with the biggest overall increases in Auxiliary Programs. Operating expenses increased \$3,092 in 2014 or 6 percent, over 2013, to \$58,836. The 2014 increase resulted from higher expenses in many categories, with the biggest overall increases in Instruction and Other Operating Expenses. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,	2015	2014	2013
Instruction	\$ 24,278	\$ 24,470	\$ 21,854
Auxiliary Programs	9,546	7,927	7,428
Research	574	448	593
Institutional Support	6,244	5,517	5,433
Academic Support	5,233	5,196	6,259
Student Services	3,800	3,371	3,040
Student Aid	4,792	4,301	4,641
Other Operating Expenses	6,912	7,606	6,496
Total Operating Expenses	\$ 61,379	\$ 58,836	\$ 55,744

2015 Operating Expense by Function



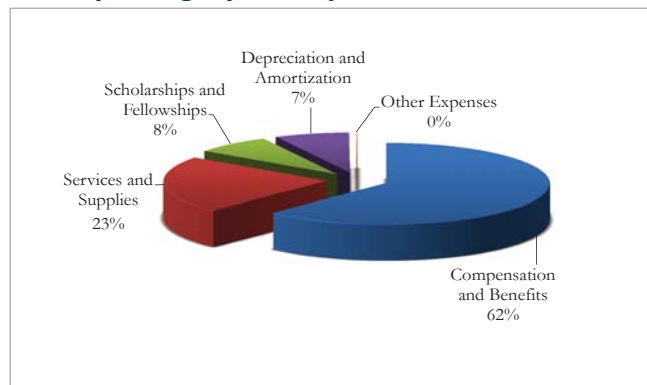
Due to the way in which expenses are incurred by Oregon Tech, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2015	2014	2013
Compensation and Benefits	\$ 38,148	\$38,656	\$ 36,045
Services and Supplies	13,928	11,361	11,045
Scholarships and Fellowships	4,674	4,415	4,686
Depreciation and Amortization	4,561	4,262	3,776
Other Expenses	68	142	192
Total Operating Expenses	\$ 61,379	\$ 58,836	\$ 55,744

2015 Operating Expenses by Natural Classification



Comparison of fiscal year 2015 to fiscal year 2014

Compensation and Benefits costs decreased \$508 or 1 percent, in 2015 compared to 2014 primarily due to:

- Decreased retirement and health insurance costs of \$2,368 due mainly to the implementation of GASBs No. 68. The implementation of GASBs No. 68 decreased expenses, while other health and retirement expenses increased the total.
- Higher wage costs attributed to increased FTE and average salaries/wages in Unclassified, Classified, Student, and Graduate Teaching Fellow employee categories of \$1,860.

Services and Supplies expense increased \$2,567 or 18 percent, during 2015. This increase was seen across many categories including communication supplies, utilities, rentals and leases, travel, and fees and services expense. This was partially offset by lower general supplies, maintenance and repairs, and other miscellaneous services and supplies.

Scholarships and Fellowships expenses increased \$259 or 6 percent, when comparing 2015 to 2014. This net increase corresponds to increases in scholarships from the Oregon Student Assistance Commission as well as from other sources. This expense category does not include Fee Remissions, which are reported as reductions to Student Tuition and Fee Revenues.

Depreciation and Amortization expense increased \$299 during 2015 primarily due to recently constructed or refurbished buildings being placed in service during 2015.

Nonoperating Expenses

- Interest Expense increased \$1,002 or 38 percent, primarily due to new debt issued in 2015.

Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased \$2,611 or 7 percent, in 2014 compared to 2013 due primarily to the following:

- Higher wage costs attributed to additional faculty and staff and wage increases for Unclassified and Classified staff increased expenses \$1,599.
- Retirement and health insurance costs increased \$536.
- Increased student and graduate employment contributed \$261 to the difference.
- Fee remissions for graduate students increased \$93.

Services and Supplies expense increased \$316 or 3 percent, during 2014. This increase was seen across many categories including general supplies, maintenance and repairs, and miscellaneous services and supplies. These increases were partially offset by lower utilities, assessments, and rentals and leases.



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

Scholarships and Fellowships costs decreased \$271 or 6 percent, when comparing 2014 and 2013. This net decrease corresponds to decreased scholarships from foundation and institutional sources. Scholarships from state and federal sources decreased in 2014.

Depreciation and Amortization expense increased \$486 during 2014 primarily due to recently constructed or refurbished buildings being placed in service during 2014.

Nonoperating Expenses

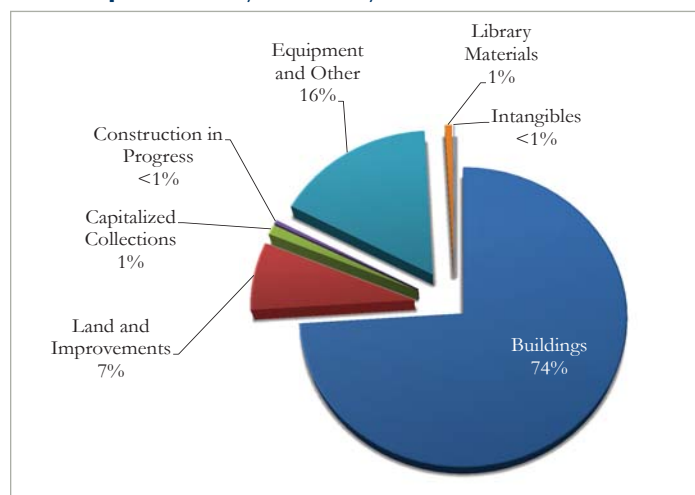
- Interest Expense decreased by \$466 or 15 percent.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2015, Oregon Tech had \$163,931 in capital assets, less accumulated depreciation of \$68,674, for net capital assets of \$95,257. At June 30, 2014, Oregon Tech had \$163,006 in capital assets, less accumulated depreciation of \$66,121, for net capital assets of \$96,885. During fiscal year 2015, \$10,451 in construction projects were completed and placed into service.

2015 Capital Assets, Net - \$95,257 thousand



Changes to Capital Assets

	2015	2014	2013
Capital Assets, Beginning of Year	\$ 163,006	\$ 160,591	\$ 130,700
Add: Purchases/Construction	3,004	3,513	29,992
Less: Retirements/Disposals/Adjustments	(2,079)	(1,098)	(101)
Total Capital Assets, End of Year	163,931	163,006	160,591
Accum. Depreciation, Beginning of Year	(66,121)	(61,926)	(58,129)
Add: Depreciation Expense	(4,561)	(4,262)	(3,776)
Less: Retirements/Disposals/Adjustments	2,008	67	(21)
Total Accum. Depreciation, End of Year	(68,674)	(66,121)	(61,926)
Total Capital Assets, Net, End of Year	\$ 95,257	\$ 96,885	\$ 98,665

Capital additions totaled \$3,004 for 2015, \$3,513 for 2014, and \$29,992 for 2013.

Accumulated depreciation at June 30, 2015 increased \$2,553, which

represented an increase of \$4,561 in depreciation and amortization expense offset by \$2,008 in asset retirements and adjustments. Accumulated depreciation at June 30, 2014 increased \$4,195, which represented \$4,262 in depreciation and amortization expense offset by \$67 in adjustments.

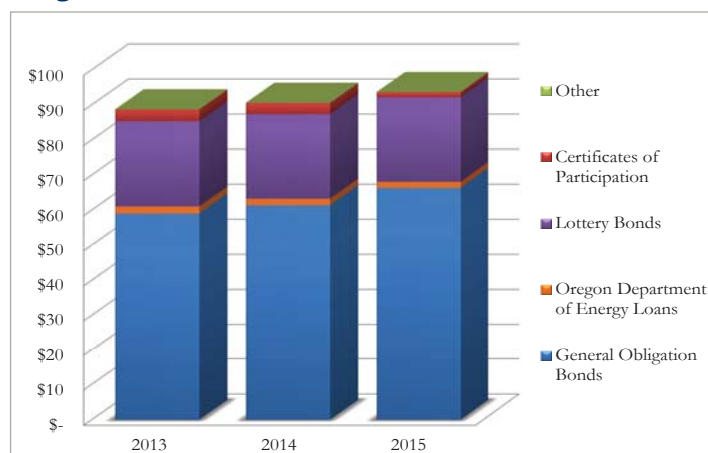
Capital Commitments

Oregon Tech has outstanding capital commitments on partially completed and planned but not yet completed construction projects authorized by the Oregon State Legislature of \$578 as of June 30, 2015. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

Debt Administration

During 2015 and 2014, OUS issued debt on behalf of Oregon Tech totaling \$19,553 and \$11,340, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations.

Long-term Debt



ECONOMIC OUTLOOK

Funding for the major activities of Oregon Tech comes from a variety of sources including tuition and fees, financial aid programs, federal and state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the university.

State funding levels continue to challenge Oregon Tech's public mission, as the Pacific Northwest's only polytechnic university, that offers innovative and rigorous applied degree programs in the areas of engineering, engineering technologies, health technologies, management, and the arts and sciences. While state funding to Oregon Tech has increased slightly over the last few years, it is still dramatically lower than the level of state contribution that existed prior to the last recession. This low level of state support, combined with rising expenses, particularly labor costs including costs associated with mandated participation in state health and retirement systems, has put increasing pressure on the institution to raise tuition.

In fiscal year 2014 and fiscal year 2015, the legislature increased state operating support specifically to "buy-down" or limit increases in resident, undergraduate tuition. This resulted in no tuition increases



Management's Discussion and Analysis

For the Year Ended June 30, 2015 (dollars in thousands)

in fiscal year 2014 and 2015 for undergraduate residents and Western Undergraduate Exchange Program (WUE) students, excluding differential tuition. An incremental differential tuition program was initiated during fiscal year 2014 for certain programs offered in the College of Engineering, Technology and Management. In fiscal years 2014 and 2015, differential tuition increased by five percent, respectively, in each of the two fiscal years as part of phase-in period. Fiscal year 2016 will be the final year of the College's differential tuition phase-in period.

The 2013 legislature enacted SB 270 which granted independent governing boards of trustees to all seven of the public universities. On July 1, 2015, the Oregon Tech Board of Trustees assumed all governance authority previously vested in the State Board of Higher Education. While this structure generally provides increased operating flexibility, public universities are still required to participate in group health insurance, a select set of group retirement plans, and collective bargaining through July 1, 2019.

Two state statutorily mandated university employee benefits that Oregon Tech is required to purchase are a defined retirement benefit (managed by the Public Employees Retirement System (PERS), and a 401(a) plan managed by the public universities) and health, dental and other employment related benefits (managed by the Public Employee Benefit Board (PEBB)). As a mandatory purchaser of these benefits for university employees, Oregon Tech has little to no control on the cost of these benefits. These benefits costs, which can change significantly each year, have a dramatic impact on the Oregon Tech operating budget. An example of significant year over year changes is that fiscal year retirement benefit rates average approximately 20 percent of employee pay and represents an increase of over four percent over the prior fiscal year. In addition, a recent Oregon Supreme Court decision (*Moro v. State of Oregon*, 354 Or 657 (2014)) will likely result in additional increases for the fiscal year 2017 rates. Oregon Tech has no control on the types and costs of benefits that are managed by PEBB, the rates of which have historically increased year over year.

In addition to uncertain employee benefit costs, Oregon Tech must respond to existing and new legislative mandates, which may have an impact on the university's budget. An example of a legislative mandate is Oregon's 40/40/20 goal, which is for 40 percent of all adult Oregonians to hold a bachelor's or advance degree; 40 percent to have an associate's degree or meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025. Oregon Tech has dedicated additional faculty, staff and student support services resources in order to assist the state in reaching this goal. While the university remains committed to meeting these mandates, Oregon Tech has to balance its overall financial health to ensure it can meet its mission.

Although Oregon Tech faces several financial uncertainties, the university is actively working internally with its new Board of Trustees and supporting Foundation to broaden funding sources, implement strategic projects and reduce the university's reliance on state support.



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Statement of Net Position - Oregon Institute of Technology

As of June 30,	University	
	2015	2014
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 6,400	\$ 9,937
Collateral from Securities Lending (Note 2)	1,189	998
Accounts Receivable, Net (Note 3)	5,057	4,725
Notes Receivable, Net (Note 4)	205	380
Inventories	129	85
Prepaid Expenses	1,515	394
Total Current Assets	14,495	16,519
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	6,320	3,696
Investments (Note 2)	14,292	5,605
Notes Receivable, Net (Note 4)	2,344	2,458
Net Pension Asset (Note 13)	2,133	-
Capital Assets, Net of Accumulated Depreciation (Note 5)	95,257	96,885
Total Noncurrent Assets	120,346	108,644
Total Assets	\$ 134,841	\$ 125,163
DEFERRED OUTFLOWS OF RESOURCES		
	\$ 3,475	\$ 1,795
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 4,128	\$ 3,814
Deposits	1,118	216
Obligations Under Securities Lending (Note 2)	1,189	998
Current Portion of Long-Term Liabilities (Note 8)	5,526	3,866
Unearned Revenues	3,667	2,552
Total Current Liabilities	15,628	11,446
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)	92,208	90,836
Total Noncurrent Liabilities	92,208	90,836
Total Liabilities	\$ 107,836	\$ 102,282
DEFERRED INFLOWS OF RESOURCES		
	\$ 4,116	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 10,858	\$ 12,568
Restricted For:		
Expendable:		
Gifts, Grants and Contracts	662	509
Student Loans	3,202	3,412
Capital Projects	1,248	1,321
Debt Service	1,677	1,674
Unrestricted	8,717	5,192
Total Net Position	\$ 26,364	\$ 24,676

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



Statement of Financial Position - Oregon Tech Foundation

As of June 30,	Component Unit	
	2015	2014
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	\$ 284	\$ 57
Contributions, Pledges and Grants Receivable, Net	182	1,147
Investments (Note 2)	23,275	22,660
Prepaid Expenses and Other Assets	432	429
Property and Equipment, Net	205	205
Total Assets	\$ 24,378	\$ 24,498
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 24	\$ 21
Accounts Payable to University	249	182
Obligations to Beneficiaries of Split-Interest Agreements	345	298
Long-Term Liabilities	1,004	1,112
Total Liabilities	\$ 1,622	\$ 1,613
NET ASSETS		
Unrestricted	\$ 8,894	\$ 9,389
Temporarily Restricted	5,286	5,203
Permanently Restricted	8,576	8,293
Total Net Assets	\$ 22,756	\$ 22,885

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



Statement of Revenues, Expenses and Changes in Net Position - Oregon Institute of Technology

For the Year Ended June 30,	University	
	2015	2014
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of \$7,180 and \$6,548)	\$ 21,933	\$ 21,488
Federal Grants and Contracts	675	910
State and Local Grants and Contracts	1,306	37
Nongovernmental Grants and Contracts	704	581
Educational Department Sales and Services	320	299
Auxiliary Enterprises Revenues (Net of Allowances of \$657 and \$564)	7,805	6,609
Other Operating Revenues	283	284
Total Operating Revenues	33,026	30,208
OPERATING EXPENSES		
Instruction	24,278	24,470
Research	574	448
Public Service	192	112
Academic Support	5,233	5,196
Student Services	3,800	3,371
Auxiliary Programs	9,546	7,927
Institutional Support	6,244	5,517
Operation and Maintenance of Plant	3,047	3,260
Student Aid	4,792	4,301
Other Operating Expenses	3,673	4,234
Total Operating Expenses (Note 11)	61,379	58,836
Operating Loss	(28,353)	(28,628)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	20,439	18,207
Financial Aid Grants	7,015	7,125
Investment Activity (Note 10)	372	330
Gain (Loss) on Sale of Assets, Net	(2)	(1,031)
Interest Expense	(3,652)	(2,650)
Other Nonoperating Items	2,694	2,351
Net Nonoperating Revenues	26,866	24,332
Income (Loss) Before Other Nonoperating Revenues	(1,487)	(4,296)
Capital and Debt Service Appropriations (Note 12)	2,421	2,496
Capital Grants and Gifts	1,557	470
Transfers within OUS	112	(952)
Total Other Nonoperating Revenues	4,090	2,014
Increase (Decrease) In Net Position Prior to Special/ Extraordinary Items	2,603	(2,282)
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 9)	2,980	-
Increase (Decrease) In Net Position After Special/ Extraordinary Items	5,583	(2,282)
NET POSITION		
Beginning Balance	24,676	26,958
Change in Accounting Principle (Note 1, Section S)	(3,895)	-
Beginning Balance, Restated	20,781	26,958
Ending Balance	\$ 26,364	\$ 24,676

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



Statement of Activities - Oregon Tech Foundation

As of June 30,	Component Unit	
	2015	2014
	(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	\$ 146	\$ 116
Investment Income, Net	307	881
Net Assets Released From Restrictions	700	760
Other Revenues	19	27
Total Revenues	1,172	1,784
EXPENSES		
University Support	909	791
General and Administrative	707	296
Fundraising	24	24
Other Expenses	27	44
Total Expenses	1,667	1,155
Increase (Decrease) In Unrestricted Net Assets	(495)	629
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	767	232
Investment Income, Net	(6)	1,819
Other Revenues	22	21
Net Assets Released From Restrictions	(700)	(762)
Increase (Decrease) In Temporarily Restricted Net Assets	83	1,310
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	381	520
Change in Value of Life Income Agreements	(98)	104
Net Assets Released From Restrictions	-	2
Increase (Decrease) In Permanently Restricted Net Assets	283	626
Increase (Decrease) In Total Net Assets	(129)	2,565
Beginning Balance	22,885	20,320
Ending Balance	\$ 22,756	\$ 22,885

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



Statement of Cash Flows - Oregon Institute of Technology

For the Year Ended June 30,	University	
	2015	2014
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 22,614	\$ 19,979
Grants and Contracts	2,555	1,599
Educational Department Sales and Services	320	299
Auxiliary Enterprises Operations	7,950	6,572
Payments to Employees for Compensation and Benefits	(40,780)	(38,221)
Payments to Suppliers	(14,910)	(9,805)
Student Financial Aid	(4,674)	(4,415)
Other Operating Receipts	522	465
Net Cash Provided (Used) by Operating Activities	(26,403)	(23,527)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	20,439	18,207
Financial Aid Grants	7,998	5,495
Other Gifts and Private Contracts	2,694	2,351
Net Agency Fund Receipts (Payments)	902	75
Net Transfers Within OUS	112	(411)
Cash Transfers Due to Change in Entity	2,463	-
Net Cash Provided (Used) by Noncapital Financing Activities	34,608	25,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	1,575	2,428
Capital Grants and Gifts	1,557	430
Bond Proceeds from Capital Debt	23,439	3,183
Sales of Capital Assets	69	-
Purchases of Capital Assets	(3,138)	(3,351)
Interest Payments on Capital Debt	(3,642)	(1,448)
Principal Payments on Capital Debt	(20,663)	(2,102)
Net Cash Provided (Used) by Capital and Related Financing Activities	(803)	(860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(8,390)	2,571
Income on Investments and Cash Balances	75	291
Net Cash Provided (Used) by Investing Activities	(8,315)	2,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(913)	4,192
CASH AND CASH EQUIVALENTS		
Beginning Balance	13,633	9,441
Ending Balance	\$ 12,720	\$ 13,633

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



Statement of Cash Flows (Continued) - Oregon Institute of Technology

For the Year Ended June 30,	University	
	2015	2014
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (28,353)	\$ (28,628)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,561	4,262
Changes in Assets and Liabilities:		
Accounts Receivable	514	(1,307)
Notes Receivable	289	(83)
Inventories	(44)	(4)
Prepaid Expenses	(1,121)	1,728
Accounts Payable and Accrued Liabilities	438	286
Long-Term Liabilities	(31)	122
Unearned Revenue	132	97
Pension Expense Related to Net Pension Liability	(2,788)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (26,403)	\$ (23,527)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	\$ -	\$ 40
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	297	40
Internal Bank Loans Converted to XI-F(1) Debt	-	35,205

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



1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the four remaining state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Oregon Institute of Technology, otherwise known as Oregon Tech, is one of the four universities that make up the OUS.

The Oregon Tech financial reporting entity is reported under the heading of University on the Basic Financial Statements. Oregon Tech has two campuses, located in Klamath Falls and Wilsonville. The Oregon Tech reporting entity also includes one university foundation which is reported as a discretely presented component unit in the Oregon Tech Financial Statements. See "Note 19. University Foundation" for additional information relating to this component unit. Organizations that are not financially accountable to Oregon Tech, such as booster and alumni organizations, are not included in the reporting entity.

Oregon Tech is also reported as one of the four universities that make up OUS and is reported as part of the OUS Annual Financial Report. OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

These financial statements present only Oregon Tech, including the discretely presented component unit described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 and provided a pathway for Oregon Tech to become an independent public body legally separate from OUS. The Board unconditionally endorsed Oregon Tech to become a separate legal entity with an independent governing board effective July 1, 2015. Oregon Tech will not be included in the OUS financial reporting entity starting with the fiscal year 2016 financial report. Oregon Tech will be included as a component unit in the Comprehensive Annual Financial Report issued by the State starting with the fiscal year 2016 financial report.

B. Financial Statement Presentation

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

In preparing the financial statements, significant interfund transactions

and balances between university funds have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the university foundation are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

Oregon Tech implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the fiscal year ended June 30, 2015. GASB No. 68 improves accounting and financial reporting by state and local governments for pensions. Concurrently, Oregon Tech implemented GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective for the fiscal year ended June 30, 2015. GASB No. 71 updates GASB No. 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. As a result of the implementation of GASB Nos. 68 and 71, Oregon Tech restated beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by (\$3,895) and reduced Pension Expense by \$2,788 resulting in a change in Unrestricted Net Position of \$1,107. Ending Net Pension Asset as of June 30, 2015 is \$2,133.

Oregon Tech implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the fiscal year ended June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The adoption of GASBs No. 69 did not materially impact the Oregon Tech financial statements.

UPCOMING ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASBs No. 72 addresses accounting and financial reporting issues related to fair value measurements and is effective for the fiscal year ending June 30, 2016. The adoption of GASBs No. 72 is not expected to have a material impact on the Oregon Tech financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASBs No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability and is effective for the fiscal year ending June 30, 2017. Oregon Tech is analyzing the effects of the adoption of GASBs No. 75 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASBs No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountabil-

Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

ity and is effective for the fiscal year ending June 30, 2017. GASBs No. 74 is not applicable to Oregon Tech.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASBs No. 75 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and is effective for the fiscal year ending June 30, 2018. Oregon Tech is analyzing the effects of the adoption of GASBs No. 75 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASBs No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP) and is effective for the fiscal year ending June 30, 2016. The adoption of GASBs No. 76 is not expected to have a material impact on the Oregon Tech financial statements.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of: Cash on hand, cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF), cash and cash equivalents restricted for the payment of the current portion of debt service, and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

E. Investments

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

F. Inventories

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

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. Oregon Tech capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. Oregon Tech capitalizes real property expendi-

tures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of \$50 to \$100, depending on the type of real property. Intangible assets valued in excess of \$100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Oregon Tech capitalizes interest expense on projects exceeding \$20,000 that are partially or fully funded by XI-F(1) debt or internally generated funds. For the fiscal year ended 2015, no projects qualified for capitalized interest.

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

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

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

J. Net Pension

The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are actuarially determined at the system-wide Plan level and are allocated to employers based on their proportionate share. Oregon Tech is included in the proportionate share for all state agencies. The Oregon Tech proportionate share of all state agencies is allocated by the Oregon State Department of Administrative Services. The system-wide Plan uses the accrual basis of accounting. For more information, see “*Basis of Accounting*” in Note 13 on page 40.

K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans, and to economic loss on refunding of various bonds which is a result of the difference in the carrying value of the refunded debt and its reacquisition price.



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

L. Net Position

Oregon Tech's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

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

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

M. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives Oregon Tech the authority to use the interest, income, dividends, or profits of endowments. Current OUS Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current Board policy, the amount available for distribution during fiscal year 2016 is estimated to be \$8.

Oregon's Tech endowments are not true endowments (in that the donor does not require the corpus to remain intact in perpetuity) and are included in Expendable Gifts, Grants and Contracts on the Statement of Net Position.

N. Income Taxes

Oregon Tech is treated as a governmental entity for tax purposes. As such, Oregon Tech is generally not subject to federal and state income taxes. However, Oregon Tech remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax provision has been recorded for the year ended June 30, 2015 because there is no significant amount of taxes on such unrelated business income for Oregon Tech.

O. Revenues and Expenses

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

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

compensation and benefits, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

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

P. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually collected from the students or other third party payers. Oregon Tech has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by Oregon Tech, amounted to \$3,074 and \$2,203 for the fiscal years ended 2015 and 2014, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be \$4,703 and \$4,723 for the fiscal year ended 2015 and 2014, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$60 and \$186 for the fiscal year ended 2015 and 2014, respectively.

Q. Federal Student Loan Programs

Oregon Tech receives proceeds from the Federal Direct Student Loan Program. Since Oregon Tech transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are not reported in operations. Federal student loans received by Oregon Tech students but not reported in operations was \$19,111 and \$20,615 for the fiscal years ended 2015 and 2014, respectively.

R. Use of Estimates

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

S. Change in Accounting Principle

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement date - an amendment of GASB Statement No. 68*, are effective for fiscal year 2015. The State of Oregon Public Employees Retirement System did not determine the amounts as of June 30, 2013 so restatement of all prior periods presented is not possible. The



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

cumulative effect of applying GASBs No. 68 and 71 is reported as a re-statement of beginning net position as of July 1, 2014 as follows:

Restated Net Position due to Change in Accounting Principle

	July 1, 2014
Beginning Net Position	\$ 24,676
Less Beginning Net Pension Liability	(4,803)
Plus Beginning Deferred Outflows	908
Total Change in Accounting Principle	\$ (3,895)
Restated Beginning Net Position	\$ 20,781

2. Cash and Investments

At June 30, 2015, substantially all of Oregon Tech's current cash and investments were held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through several commingled investment pools at the State Treasury. The funds of Oregon Tech are commingled with cash from other public universities in Oregon and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined Designated University. Oregon State University is currently serving as the Designated University for the PUF. Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

At June 30, 2014, substantially all of the cash and investments of Oregon Tech were centrally managed by the OUS, of which Oregon Tech was a member university. The invested assets were managed through several commingled investment pools at the State Treasury. Each investment pool had a board approved investment policy and set of objectives identifying risk and return parameters.

In general, deposits and investment securities as described below are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the investment risk exposures, see note 2B below.

For full disclosure regarding cash and investments held at the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. N.E., Suite 100, Salem, OR 97301-3896 or by linking via the internet at

oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx.

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

Oregon Tech maintains the majority of its current cash balances on deposit with the State Treasury. These deposits are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state and related agencies. The State Treasurer invests these deposits in high-grade short-term

investment securities. At the fiscal years ended June 30, 2015 and 2014, respectively, Oregon Tech cash and cash equivalents on deposit at State Treasury was \$8,432 and \$13,559.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2015 current portion includes \$312 in funds held for payroll liabilities and undistributed student loans and \$189 held for debt service payments. The noncurrent portion includes \$8 in funds held for Oregon Tech student groups and campus organizations and \$778 is held for debt service payments.

The 2014 current portion includes \$51 in funds held for payroll liabilities and undistributed student loans and \$769 held for debt service payments. The noncurrent portion includes \$15 in funds held for Oregon Tech student groups and campus organizations.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. Since Oregon Tech cash balances held on deposit at the State Treasury are invested consistently, custodial credit risk exposure to the State Treasury is low.

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

For the years ended June 30, 2015 and 2014, respectively, Oregon Tech had vault and petty cash balances of \$79 and \$74. Additionally, Oregon Tech had cash held by trustee related to capital construction bonds in the amount of \$4,209 for fiscal year ended June 30, 2015. Cash held by trustee is included in noncurrent cash in the Statement of Net Position.

B. Investments

For the year ended June 30, 2014, Oregon Tech's operating funds were invested by the State Treasury and managed by OUS. For the year ended June 30, 2015, Oregon Tech's operating funds and endowment assets were invested in the PUF. OUS investment policies are governed by statute, the Oregon Investment Council (OIC), and the Board. In accordance with ORS, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the OIC.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2015, Oregon Tech had \$14,292 in investments; of this, \$191 are temporarily restricted endowments, \$521 are funds held for payroll liabilities and undistributed student loans and \$1,549 are funds held for debt service payments.

At June 30, 2014, of the total \$5,605 in investments, \$304 are temporarily restricted endowments, \$42 are funds held for payroll liabilities and undistributed student loans and \$561 are funds held for debt service payments.

Due to the level of risk associated with certain investment securities, it is



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of Oregon Tech's portion of PUF pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2015.

As of June 30, 2015, \$8,894 was invested in an intermediate-term fixed income pool managed by State Treasury and \$5,398 was in a long-term fixed income pool managed by State Treasury. For the year ended June 30, 2014, Oregon Tech's total investments were invested through the OUS investment pool. As of June 30, 2014, \$1,481 was invested in an intermediate term pool managed by State Treasury, \$3,820 were individually held investments of the Pool, and \$304 was invested in a portfolio that is managed for the benefit of pooled gifts and endowments. Oregon Tech follows the OUS endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

Investments of the Oregon Tech discretely presented component unit are summarized at June 30, 2015 and 2014, respectively as follows:

COMPONENT UNIT

Fair Value at June 30, Investment Type:	2015	2014
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 18,326	\$ 18,139
Investment in Common Stock, Voting Trust and Partnerships	1,817	1,817
Money Market Funds and Certificates of Deposit	470	98
Remainder Trusts, Unitrusts and Gift Annuities	1,207	1,243
Alternative Investments	1,455	1,363
Total Investments	\$ 23,275	\$ 22,660

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. Of these, the policy on the endowment has the least restrictive credit requirements. The policy requires fixed income securities to have an average credit quality of A/Aa or better and limits below investment grade bonds to no more than 15 percent of the bond portfolio, exclusive of guaranteed investment contracts. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate.

Based on these parameters, as of June 30, 2015 and 2014, approximately 35.8 percent and 79.6 percent, respectively, of investments in the PUF and OUS Pools are subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled \$99,259 and \$154,485 in fiscal year 2015 and 2014, respectively. Fixed income securities which have not been evaluated by the rating agencies totaled \$10,759 and \$79,935 in fiscal year 2015 and 2014, respectively. The PUF and OUS Investment Pools totaled \$307,454 and

\$299,160 at June 30, 2015 and 2014, respectively, of which Oregon Tech owned \$14,292 or 4.6 percent and \$5,605 or 1.9 percent.

CUSTODIAL CREDIT RISK

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund was invested in any single security, unless part of an index fund.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. No amounts of any PUF investments were primarily invested in international debt or equities at June 30, 2015. Of the total OUS Investment Pool of \$299,160 as of June 30, 2014, \$29,970 in deposits and mutual funds were primarily invested in international debt and international equities. Approximately \$6,201 of these investments had foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2015 and 2014, respectively, securities in the PUF and OUS Investment Pools held subject to interest rate risk totaling \$110,017 and \$245,840 had an average duration of 3.38 and 3.04 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

C. Securities Lending

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



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

Amounts reported on Oregon Tech's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by the public universities in total.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for Oregon Tech securities on loan in the OSTF. At June 30, 2015, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit, and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name.

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

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

3. Accounts Receivable

Accounts Receivable, including amounts due from the component unit, comprised the following:

	June 30, 2015	June 30, 2014
Student Tuition and Fees	\$ 2,319	\$ 2,808
Auxiliary Enterprises and Other		
Operating Activities	254	398
Federal Grants and Contracts	206	218
Component Units	192	182
State, Other Government, and Private		
Gifts, Grants and Contracts	243	101
Other	2,047	1,451
	5,261	5,158
Less: Allowance for Doubtful Accounts	(204)	(433)
Accounts Receivable, Net	\$ 5,057	\$ 4,725

4. Notes Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2015 and 2014. The program is funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

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

	June 30, 2015		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 33	\$ 752	\$ 785
Federal Student Loans	426	1,649	2,075
	459	2,401	2,860
Less: Allowance for Doubtful			
Accounts	(254)	(57)	(311)
Notes Receivable, Net	\$ 205	\$ 2,344	\$ 2,549

	June 30, 2014		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 3	\$ 761	\$ 764
Federal Student Loans	391	1,760	2,151
	394	2,521	2,915
Less: Allowance for Doubtful			
Accounts	(14)	(63)	(77)
Notes Receivable, Net	\$ 380	\$ 2,458	\$ 2,838



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

5. Capital Assets

The following schedule reflects the changes in capital assets:

	Balance July 1, 2013	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2014	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2015
Capital Assets,									
Non-depreciable/Non-amortizable									
Land	\$ 5,474	\$ -	\$ -	\$ -	\$ 5,474	\$ -	\$ -	\$ -	\$ 5,474
Capitalized Collections	2,067	3	-	(1,031)	1,039	-	-	1	1,040
Construction in Progress	6,308	2,693	(256)	-	8,745	2,088	(10,451)	-	382
Total Capital Assets,									
Non-depreciable/Non-amortizable	13,849	2,696	(256)	(1,031)	15,258	2,088	(10,451)	1	6,896
Capital Assets, Depreciable/Amortizable:									
Equipment	12,145	683	-	-	12,828	823	30	(1,917)	11,764
Library Materials	9,715	90	-	(67)	9,738	93	-	(163)	9,668
Buildings	109,280	44	-	-	109,324	-	935	-	110,259
Land Improvements	3,256	-	22	-	3,278	-	-	-	3,278
Improvements Other Than Buildings	389	-	12	-	401	-	55	-	456
Infrastructure	9,987	-	222	-	10,209	-	9,431	-	19,640
Intangible Assets	1,970	-	-	-	1,970	-	-	-	1,970
Total Capital Assets, Depreciable/Amortizable	146,742	817	256	(67)	147,748	916	10,451	(2,080)	157,035
Less Accumulated Depreciation/Amortization for:									
Equipment	(10,005)	(722)	-	-	(10,727)	(725)	-	1,914	(9,538)
Library Materials	(8,643)	(235)	-	67	(8,811)	(170)	-	94	(8,887)
Buildings	(34,323)	(2,738)	-	-	(37,061)	(2,770)	-	-	(39,831)
Land Improvements	(1,825)	(113)	-	-	(1,938)	(103)	-	-	(2,041)
Improvements Other Than Buildings	(156)	(34)	-	-	(190)	(38)	-	-	(228)
Infrastructure	(5,293)	(341)	-	-	(5,634)	(676)	-	-	(6,310)
Intangible Assets	(1,681)	(79)	-	-	(1,760)	(79)	-	-	(1,839)
Total Accumulated Depreciation/Amortization	(61,926)	(4,262)	-	67	(66,121)	(4,561)	-	2,008	(68,674)
Total Capital Assets, Net	\$ 98,665	\$ (749)	\$ -	\$ (1,031)	\$ 96,885	\$ (1,557)	\$ -	\$ (71)	\$ 95,257
Capital Assets Summary									
Capital Assets, Non-depreciable/Non-amortizable	\$ 13,849	\$ 2,696	\$ (256)	\$ (1,031)	\$ 15,258	\$ 2,088	\$ (10,451)	\$ 1	\$ 6,896
Capital Assets, Depreciable/Amortizable	146,742	817	256	(67)	147,748	916	10,451	(2,080)	157,035
Total Cost of Capital Assets	160,591	3,513	-	(1,098)	163,006	3,004	-	(2,079)	163,931
Less Accumulated Depreciation/Amortization	(61,926)	(4,262)	-	67	(66,121)	(4,561)	-	2,008	(68,674)
Total Capital Assets, Net	\$ 98,665	\$ (749)	\$ -	\$ (1,031)	\$ 96,885	\$ (1,557)	\$ -	\$ (71)	\$ 95,257



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

6. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2015	June 30, 2014
Services and Supplies	\$ 928	\$ 1,022
Salaries and Wages	1,745	1,558
Accrued Interest	1,211	1,201
Payroll Related Expenses	5	5
Financial Aid	3	23
Refunds Payable	236	5
Total	<u>\$ 4,128</u>	<u>\$ 3,814</u>

B. Payables/Expenses

Oregon Tech leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$691 and \$674 for the year ended June 30, 2015 and 2014, respectively. Minimum future lease payments on operating leases at June 30, 2015 were:

For the year ending June 30,	
2016	\$ 554
2017	267
2018	219
2019	187
2020	385
Total Minimum Operating Lease Payments	<u>\$ 1,612</u>

7. Operating Leases

A. Receivables/Revenues

Oregon Tech receives income for land, property and equipment that is leased to non-State entities. Rental income received from leases was \$549 and \$544 for the year ended June 30, 2015 and 2014, respectively. The original cost of assets leased, net of depreciation, was \$6,064 and \$6,267 for the year ended June 30, 2015 and 2014, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2015 were:

For the year ending June 30,

2016	\$ 599
2017	105
2018	2
2019	1
2020	1
2021-2025	7
2026-2030	7
2031-2035	7
2036-2040	7
2041-2045	7
2046-2050	4
Total Minimum Operating Lease Revenues	<u>\$ 747</u>



Notes to the Financial Statements
For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

8. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	\$ 46,876	\$ 9,165	\$ (10,113)	\$ 45,928	\$ 1,785	\$ 44,143
General Obligation Bonds XI-G	13,653	5,689	(5,691)	13,651	594	13,057
General Obligation Bonds XI-Q	835	5,934	(44)	6,725	511	6,214
Certificates of Participation (COPs)	3,158	-	(1,734)	1,424	157	1,267
Lottery Bonds	24,108	2,650	(2,647)	24,111	1,186	22,925
Oregon Department of Energy Loans (SELP)	1,901	-	(146)	1,755	151	1,604
Total Long-Term Debt	90,531	23,438	(20,375)	93,594	4,384	89,210
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	1,864	-	(81)	1,783	72	1,711
Compensated Absences	1,346	1,094	(982)	1,458	988	470
Other Postemployment Benefits	624	38	-	662	-	662
Early Retirement Liability	337	-	(100)	237	82	155
Total Other Noncurrent Liabilities	4,171	1,132	(1,163)	4,140	1,142	2,998
Total Long-Term Liabilities	\$ 94,702	\$ 24,570	\$ (21,538)	\$ 97,734	\$ 5,526	\$ 92,208

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	\$ 8,535	\$ 38,362	\$ (21)	\$ 46,876	\$ 1,537	\$ 45,339
Internal Bank	36,003	9,574	(45,577)	-	-	-
General Obligation Bonds XI-G	13,626	27	-	13,653	533	13,120
General Obligation Bonds XI-Q	858	-	(23)	835	24	811
Certificates of Participation (COPs)	3,304	-	(146)	3,158	153	3,005
Lottery Bonds	24,311	-	(203)	24,108	249	23,859
Oregon Department of Energy Loans (SELP)	2,030	-	(129)	1,901	148	1,753
Total Long-Term Debt	88,667	47,963	(46,099)	90,531	2,644	87,887
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	1,914	-	(50)	1,864	34	1,830
Compensated Absences	1,156	1,194	(1,004)	1,346	1,088	258
Other Postemployment Benefits	546	78	-	624	-	624
Early Retirement Liability	434	-	(97)	337	100	237
Total Other Noncurrent Liabilities	4,050	1,272	(1,151)	4,171	1,222	2,949
Total Long-Term Liabilities	\$ 92,717	\$ 49,235	\$ (47,250)	\$ 94,702	\$ 3,866	\$ 90,836



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

The schedule of principal and interest payments for Oregon Tech debt is as follows:

For the Year Ending June 30,	General Obligation Bonds			SELP	COPs	Lottery Bonds	Total Payments	Principal	Interest
	XI-F(1)	XI-G	XI-Q						
2016	\$ 3,354	\$ 1,068	\$ 717	\$ 248	\$ 215	\$ 1,790	\$ 7,392	\$ 3,674	\$ 3,718
2017	3,262	1,084	720	247	215	3,202	8,730	5,084	3,646
2018	3,197	1,074	713	189	216	3,203	8,592	5,182	3,410
2019	3,189	970	717	157	215	3,196	8,444	5,266	3,178
2020	3,130	941	718	157	216	2,635	7,797	4,774	3,023
2021-2025	15,193	4,786	3,089	786	134	6,491	30,479	18,125	12,354
2026-2030	14,033	4,364	774	781	631	5,713	26,296	18,220	8,076
2031-2035	10,793	2,881	283	-	-	3,115	17,072	13,238	3,834
2036-2040	7,077	2,111	57	-	-	-	9,245	7,896	1,349
2041-2045	2,399	-	-	-	-	-	2,399	2,175	224
Accreted Interest								599	(599)
								\$ 84,233	\$ 42,213
Total Future Debt Service	65,627	19,279	7,788	2,565	1,842	29,345	126,446		
Less: Interest Component of Future Payments	(24,735)	(6,891)	(2,000)	(810)	(475)	(7,302)	(42,213)		
Principal Portion of Future Payments	40,892	12,388	5,788	1,755	1,367	22,043	84,233		
Adjusted by:									
Unamortized Bond Premiums	5,036	1,263	937	-	57	2,068	9,361		
Total Long-Term Debt	\$ 45,928	\$ 13,651	\$ 6,725	\$ 1,755	\$ 1,424	\$ 24,111	\$ 93,594		

The State of Oregon and the OUS Board issue various debt instruments to fund capital projects at all OUS institutions, including Oregon Tech. These debt instruments include General Obligation Bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery Bonds. Principal and interest amounts due relating to Oregon Tech's share of these debt issuances are payable to OUS. In addition, Oregon Tech also borrows funds from the Oregon Department of Energy.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2044.

During the fiscal year ended June 30, 2015, the OUS board issued bonded indebtedness on behalf of Oregon Tech as follows:

- \$7,635 Series 2015B tax exempt bonds with an effective rate of 4.68 percent, due serially through 2039 for refunding.

During the fiscal year ended June 30, 2014, the OUS Board issued bonded indebtedness on behalf of Oregon Tech as follows:

- XI-F(1) Taxable and Tax Exempt Bond Series 2013NO, \$9,555 with an effective rate of 4.3 percent for capital construction due serially through 2044. The proceeds partially funded the Wilsonville project.
- XI-F(1) Taxable and Tax Exempt Bond Series 2014CD, \$1,785 with an effective rate of 3.6 percent for capital construction due serially through 2044.

ally through 2044. The proceeds funded deferred maintenance for auxiliaries (\$1,690) and the college union student building (\$95).

B. Internal Bank

Through June 30, 2014, OUS managed an internal bank on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for OUS universities, including Oregon Tech. As a result of the changes in university governance effective July 1, 2014 (See Note 1), the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, Oregon Tech internal bank loans totaled \$36,785. Of those loans, \$36,215 were converted to XI-F(1) debt, \$1,010 was transferred as an asset related to the premiums and discounts on the XI-F(1) bonds and \$1,580 was repaid directly to the internal bank.

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.41 percent to 7.0 percent, are due serially through 2039.

During the fiscal year ended June 30, 2015, the State issued XI-G bonded indebtedness on behalf of Oregon Tech as follows:

- \$4,645 Series 2015B tax exempt bonds with an effective rate of 4.8 percent, due serially through 2038, for refunding.

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



D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.19 percent to 4.4 percent, are due serially through fiscal year 2036.

During the fiscal year ended June 30, 2015, the State issued XI-Q bonded indebtedness as follows:

- \$3,625 Series 2015FG taxable and tax exempt bonds with an effective rate of 1.91 percent, due serially through 2025 for the following capital construction projects:
 - IT Related - \$1,770
 - Tunnel Repair - \$935
 - Capital Renewal Allocation - \$920
- \$1,436 Series 2015H tax exempt bonds with an effective rate of 4.83 percent, due serially through 2027, for refunding.

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

E. Oregon Department of Energy Loans

Oregon Tech has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at Oregon Tech. Oregon Tech makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 3.2 percent to 6.1 percent, are due through 2030.

F. Certificates of Participation

COPs, with effective yields ranging from 2.69 percent to 5.0 percent, are due through fiscal year 2029. The State has not issued COPs on behalf of Oregon Tech since fiscal year 2010.

G. Lottery Bonds

Lottery Bonds, with effective yields ranging from 0.25 percent to 4.57 percent, are due through fiscal year 2033.

During the fiscal year ended June 30, 2015, the State issued bonded indebtedness on behalf of Oregon Tech as follows:

- \$681 of Tax Exempt 2014 Series B bonds with an average interest rate of 5.0 percent, due serially through 2027, for refunding.
- \$1,531 of Tax Exempt 2015 Series C bonds with an average interest rate of 4.73 percent, due serially through 2028, for refunding.

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

H. Defeased Debt

Oregon Tech participates in a debt portfolio managed by OUS. From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease other debt.

During the fiscal year ended June 30, 2015, the State issued on behalf of Oregon Tech \$7,635 in XI-F(1) bonds with an average interest rate of

4.68 percent to refund \$8,306 in XI-F(1) bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were \$9,081 (after payment of \$53 in underwriting costs and bond premium of \$1,499).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$530. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by \$1,644 and resulted in an economic gain of \$1,297.

During the fiscal year ended June 30, 2015, the State issued on behalf of Oregon Tech \$4,645 in XI-G bonds with an average interest rate of 4.80 percent to refund \$5,148 in XI-G bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were \$5,711 (after payment of \$27 in underwriting costs and bond premium of \$1,094).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$423. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by \$853 and resulted in an economic gain of \$662.

During the fiscal year ended June 30, 2015, the State issued on behalf of Oregon Tech \$1,436 in XI-Q bonds with an average interest rate of 5.00 percent to refund \$1,522 in COPs with an average interest rate of 4.83 percent. The net proceeds of the bonds were \$1,748 (after payment of \$8 in underwriting costs and bond premium of \$320).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$164. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by \$133 and resulted in an economic gain of \$115.

During the fiscal year ended June 30, 2015, the State issued on behalf of Oregon Tech \$2,212 in Lottery bonds with an average interest rate of 4.86 percent to refund \$2,444 in Lottery bonds with an average interest rate of 4.78 percent. The net proceeds of the bonds were \$2,636 (after payment of \$9 in underwriting costs, cash on hand in reserve account of \$5, and bond premium of \$438).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$162. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by \$218 and resulted in an economic gain of \$202.

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

In prior years, OUS defeased various bond issues by placing funds in an irrevocable trust to provide for all future debt service payments of the defeased bonds. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the financial statements. The total amount of defeased debt outstanding but removed from the financial statements amounted to \$30,266 at June 30, 2015 and \$14,957 at June 30, 2014.

I. Financial Guarantees

OUS, including Oregon Tech as a member university, is a governmental agency of the State of Oregon. Therefore the State of Oregon is ulti-

Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

mately responsible for OUS's financial obligations. As of June 30, 2015, no amounts have been paid by the State of Oregon for OUS's financial obligations, both cumulatively and during the current reporting period.

J. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid by Oregon Tech in the amount of \$125 and \$121 for June 30, 2015 and 2014, respectively. Principal payments of \$72 and \$49 were applied to the liability for June 30, 2015 and 2014, respectively. A prior period adjustment of \$10 was applied to the Oregon Tech SLGRP liability by the state at June 30, 2015.

9. Change in Entity

Senate Bill (SB) 270 was passed by the Oregon Legislature during fiscal year 2013 and established a pathway for Oregon Tech to become an independent public body legally separate from the Oregon University System (OUS). The State Board of Higher Education unconditionally endorsed Oregon Tech to become a separate legal entity with an independent governing board effective July 1, 2015. Prior to July 1, 2015, Oregon Tech was a part of the OUS, a state agency of the State of Oregon. As a state agency, some assets were held centrally by OUS, these assets were distributed to the seven universities, including Oregon Tech, on or before the June 30, 2015 closing of OUS. The change in entity also changed the allocation of bond debt held in the name of the State of Oregon. The State of Oregon Department of Administrative Services, Oregon State Treasury, and Department of Justice all concluded that a portion of the legacy debt previously allocated to OUS and the seven universities as state agencies was the responsibility of the State of Oregon to repay. Oregon Tech still has responsibility to repay XI-F(1) debt and portions of XI-Q debt identified as institution paid debt. Also see "Note 8. Long-Term Liabilities".

Changes in Net Position due to the change in entity comprised the following:

	<u>June 30, 2015</u>
Assets transferred from OUS resulting in increase to Net Position	
Cash Distribution From/For:	
Closing of OUS Internal Bank	\$ 128
Student Building Fee Fund	2,028
Lottery Debt Service Funds	2
Fraud Prevention Funds	20
Support from Chancellor's Office	250
Remaining cash at close of Chancellor's Office	<u>35</u>
Total Assets Transferred from OUS	2,463
Liabilities transferred from OUS resulting in decrease to Net Position	
Chancellor's Office Debt Associated with Oregon Tech's assets	(70)
Other Changes	
Principal & Interest Payments on institution debt paid by Chancellor's Office	<u>587</u>
Total Change in Entity	<u>2,980</u>

10. Investment Activity

Investment Activity detail is as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net Appreciation of Investments	\$ 297	\$ 40
Investment Earnings	60	281
Temporarily Restricted Endowment		
Income	10	9
Interest Income	<u>5</u>	<u>-</u>
Total Investment Activity	<u>\$ 372</u>	<u>\$ 330</u>

11. Operating Expenses by Natural Classification

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Compensation and Benefits	\$38,148	\$38,656
Services and Supplies	13,928	11,361
Scholarships and Fellowships	4,674	4,415
Depreciation and Amortization	4,561	4,262
Other Expenses	68	142
Total Operating Expenses	<u>\$ 61,379</u>	<u>\$ 58,836</u>



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

12. Government Appropriations

Government appropriations comprised the following:

	June 30, 2015		
	General Operations	Debt Service	Total
State General Fund	\$ 19,996	\$ 1,580	\$ 21,576
State Lottery Funding	443	841	1,284
Total Appropriations	\$ 20,439	\$ 2,421	\$ 22,860

	June 30, 2014		
	General Operations	Debt Service	Total
State General Fund	\$ 17,763	\$ 1,613	\$ 19,376
State Lottery Funding	444	883	1,327
Total Appropriations	\$ 18,207	\$ 2,496	\$ 20,703

13. Employee Retirement Plans

Oregon Tech offers various retirement plans to qualified employees as described below.

A. Defined Benefit Retirement Plans

Disclosures for the years ended June 30, 2014 and June 30, 2015 which are required by GASB Statement 27 – *Accounting for Pensions by State and Local Governmental Employers*, GASB Statement 50 – *Pension Disclosures*, and GASB Statement 68 *Accounting and Financial Reporting for Pensions*.

Pension Plan

The Oregon Public Employees Retirement System (System) consists of a single cost-sharing multiple employer defined benefit plan in which all classes of employees of Oregon Tech are eligible to participate.

Plan Benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) PENSION (CHAPTER 238) PROGRAM

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance 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 with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death
- the member died within 120 days after termination of PERS-covered employment
- the member died as a result of injury sustained while employed in a PERS-covered job
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60 of annual benefit and 0.15 percent on annual benefits above \$60.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP) PENSION PROGRAM

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through COLAs. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60 of annual benefit and 0.15 percent on annual benefits above \$60.

Contributions

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates first became effective July 1, 2013. The employer contribution rate for Tier One and Tier Two for the years ended June 30, 2015 and 2014 was 9.86 percent.

Employer required contributions for the years ended June 30, 2015 and June 30, 2014 were \$1,034 and \$950 respectively, including amounts to fund employer specific liabilities.

A 10-year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

Pension Plan CAFR

The System issues an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

ADDITIONAL DISCLOSURES FOR FISCAL YEAR ENDING JUNE 30, 2015 ONLY

The University implemented GASB Statement No. 68 for the reporting period ending June 30, 2015. Beginning Net Position as of July 1, 2014 was restated for Net Pension Liability and Deferred Outflows of Resources. The following are additional disclosures that pertain only to fiscal year ending June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: At June 30, 2015,

Oregon Tech reported an asset of \$2,133 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2012, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The PERS system does not provide the university a proportionate share as a separate employer. Oregon Tech is a portion of the employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services calculated Oregon Tech's proportional share internally based on fiscal year 2014 actual contributions. The State of Oregon Audits Division reviewed this internal calculation. As of the measurement date of June 30, 2014, Oregon Tech's proportion was 0.09 percent of the statewide pension plan and 0.40 percent of employer state agencies.

For the year ended June 30, 2015, Oregon Tech recognized pension expense of (\$1,950). At June 30, 2015, Oregon Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,116
Changes in proportion and differences between System's contributions and proportionate share of contributions	38	-
System contributions subsequent to the measurement date	-	-
Total	<u>\$ 38</u>	<u>\$ 4,116</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		\$ (4,078)
Contributions Subsequent to the MD	<u>\$ 838</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		<u>\$ (3,240)</u>

Of the amount reported as deferred outflows of resources, \$838 is related to pensions resulting from Oregon Tech contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (1,021)
2017	(1,021)
2018	(1,021)
2019	(1,021)
2020	6

Change in Proportionate Share

There was no change in proportionate share for fiscal years ending June 30, 2013 and June 30, 2014. Because the proportionate share is



Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

actuarially determined, it was calculated as of the December 31, 2012 valuation date used to develop results for both the June 30, 2013 and June 30, 2014 Measurement Dates. In future measurement periods, there will be changes in proportionate shares from the beginning of the period to the end.

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal year ending June 30, 2014, there was:

- No difference between expected and actual experience.
- No difference due to changes of assumptions.
- A net difference between projected and actual earnings which is being amortized over a closed five year period. One year's amortization is being recognized in the employer's total pension expense for fiscal year 2015.
- No changes in proportionate share.
- A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.6 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.

Summary of Significant Accounting Policies for PERS

Reporting Entity: PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

Basis of Accounting: The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and Board requirements. Expenses are recognized when incurred. Benefits are recognized when currently due and payable. Withdrawals are recognized in the month they are due and payable. Investments are reported at fair value.

Changes in Plan Provisions

SB 822, signed into law in May 2013, eliminated the SB 656/House Bill (HB) 3349 tax remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5 percent of annual benefits.

SB 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25 percent on the first \$60 of annual benefit and 0.15 percent on annual benefits above \$60.

SB 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

For GASBs No. 67 and No. 68, the Total Pension Liability must be calculated based on the benefit terms legally in effect as of the relevant

fiscal year-end for the plan. Due to the timing of the benefit changes, this means only SB 822 is reflected in the June 30, 2013 Total Pension Liability, but that the combined effects of SBs 822 and 861 are reflected in the June 30, 2014 Total Pension Liability. The decrease in the Total Pension Liability resulting from SB 861, measured as of June 30, 2014, created a \$2,423.6 million reduction in Plan pension liabilities.

Employer Contributions

PERS includes accrued contributions when due pursuant to legal requirements as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on pay date.

Beginning with fiscal year 2015, PERS was able to report cash contributions by employer, and has published this information on the PERS Website. Prior to fiscal year 2015, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

Net Pension Liability

Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share. The rate setting actuarial valuation will continue to allocate the transitional or pre-SL-GRP liabilities or surpluses as adjustments to the respective employers.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013 and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

Changes in Actuarial Methods and Allocation Procedures:

Actuarial Cost Method: The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements No. 67 and No. 68.

Tier One/Tier Two Unfunded Actuarial Liability (UAL) Amortization: In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier One/Tier Two UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method: The "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 percent to 60 percent or increases from 130 percent to 140 percent. Previously, the ranges had been 80 percent to 70 percent and 120 percent to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board public meeting.



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

Allocation of Liability for Service Segments: For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for general service members and 10 percent for Police & Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for general service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions:

Investment Return and Interest Crediting: The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8.00 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses: Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation: The healthcare cost inflation for the maximum Retiree Health Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions:

Healthy Mortality: The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and set-back adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality: The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination: Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions:

Retiree Healthcare Participation: The Retiree Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 48 percent to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

Plan fiduciary net position as a percentage of total pension liability

See Schedule of Changes in Net Pension (Asset)/Liability on page 57 of the PERS June 30, 2014 CAFR.

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30,

2015, were set using the PUC actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries:
	RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.
	Active members:
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees:
	Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

experience for the four-year period ending on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projection

GASBs No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASBs No. 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASBs No. 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASBs No. 67 does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASBs No. 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASBs No. 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	16.00	24.00	20.00
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	10.00	10.00
Opportunity Portfolio	0.00	3.00	0.00
Total			100.00 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation – Mean		2.75

Sensitivity Analysis

Sensitivity of Oregon Tech's proportional share of the net pension asset to changes in the discount rate: The following presents Oregon Tech's proportionate share of the net pension asset calculated using the discount rate of 7.75 percent, as well as what Oregon Tech's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Oregon Tech's proportionate share of the net pension asset
1 % Decrease -6.75%	\$ 4,518
Current Discount Rate -7.75%	\$ (2,133)
1 % Increase -8.75%	\$ (7,759)

Bond Debt

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

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

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.7 percent. Payroll assessments for the fiscal years ended June 30, 2015 and 2014 were \$780 and \$697, respectively.

B. Defined Contribution Retirement Plans

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized Oregon Tech to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to Oregon Tech academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8.0 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4.0 percent maximum.

Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6.0 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

	2015	2014
ORP Tier One	16.50%	16.50%
ORP Tier Two	16.50%	16.50%
OPSRP Equivalent	6.42%	6.42%
ORP Tier Four (as of January 1, 2015)	8.00%*	

*With up to an additional 4% match of voluntary 403(b) salary deferrals

OREGON UNIVERSITY SYSTEM 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee and employer contributions are directed to PERS on the first forty-eight hundred dollars. The contribution to TIAA-CREF annuities are supplemental to PERS, based on compensation over forty-eight hundred dollars. To participate in this retirement option, employees must have been hired on



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

SUMMARY OF DEFINED CONTRIBUTION PENSION PAYMENTS

Oregon Tech total payroll for the year ended June 30, 2015 was \$28,218, of which \$11,255 was subject to retirement contributions. The following schedule lists payments made by Oregon Tech for the fiscal year:

June 30, 2015				
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 1,173	10.42%	\$ 677	6.02%
TIAA-CREF	7	0.06%	7	0.06%
Total	\$ 1,180	10.48%	\$ 684	6.08%

Oregon Tech paid 100 percent of the ORP and TIAA-CREF employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2015.

Oregon Tech total payroll for the year ended June 30, 2014 was \$26,261, of which \$10,681 was subject to retirement contributions. The following schedule lists payments made by Oregon Tech for the fiscal year:

June 30, 2014				
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 1,135	10.63%	\$ 634	5.94%
TIAA-CREF	6	0.06%	6	0.06%
Total	\$ 1,141	10.69%	\$ 640	6.00%

Oregon Tech paid 100 percent of the ORP and TIAA-CREF employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2014.

14. Other Postemployment Benefits (OPEB)

During the year ended June 30, 2015, Oregon Tech was a part of OUS as a participant in the defined benefit postemployment health care plan.

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

The PEBB plan allows Oregon Tech employees retiring under PERS or OP-SRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by Oregon Tech for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to Oregon Tech's

share, estimated at 2.8 percent of the total PEBB plan costs attributable to the State of Oregon. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2015.

Funding Policy: Oregon Tech's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2015 and 2014, Oregon Tech paid healthcare insurance premiums of \$6,251 and \$6,094, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$49 and \$53 for the fiscal years ended 2015 and 2014, respectively.

Annual OPEB Cost and Net OPEB Obligation: Oregon Tech's annual OPEB expense is calculated based on Oregon Tech's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of Oregon Tech's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in Oregon Tech's net OPEB obligation:

	June 30, 2015	June 30, 2014
Annual Required Contribution	\$ 107	\$ 102
Interest on Net OPEB Obligation	22	21
Adjustment to Annual Required Contribution	(42)	(40)
Prior Period Adjustment	-	47
Annual OPEB Cost	87	130
Contributions Made	(49)	(53)
Increase in Net OPEB Obligation	38	77
Net OPEB Obligation - Beginning of Year	624	547
Net OPEB Obligation - End of Year	\$ 662	\$ 624

The Oregon Tech annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the change in net OPEB obligation for the fiscal year ended June 30, 2015, 2014 and 2013 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 87	13%	\$ 662
2014	131	21%	624
2013	127	23%	547

Funding Status and Funding Progress: The funded status of the Oregon Tech OPEB plan for June 30, 2015 and 2014 were as follows:

	June 30, 2015	June 30, 2014
Actuarial Accrued Liabilities	\$ 842	\$ 837
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	\$ 842	\$ 837
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	\$ 23,146	\$ 21,484
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	3.64%	3.90%

Actuarial valuations, prepared biennially, involve estimates of the value of reported amounts and assumptions about the probability of events



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

	June 30, 2015	June 30, 2014
Actuarial Valuation Date	7/1/2013	7/1/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage	Level Percentage
Amortization Period	15 Years (open)	15 Years (open)
Investment Rate of Return	3.5%	3.5%
Projected Salary Increases	3.5%	3.5%
Initial Healthcare Inflation Rates	3.6% (medical) 2.2% (dental)	3.6% (medical) 2.2% (dental)
Ultimate Healthcare Inflation Rates	5.4% (medical) 5.0% (dental)	5.4% (medical) 5.0% (dental)

15. Funds Held in Trust by Others

Funds held in trust by others, for which Oregon Tech is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2015 and 2014, was \$63 and \$64, respectively.

16. Risk Financing

Oregon Tech participates in a pooled risk management fund managed by the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. By participating, Oregon Tech transfers the following risk to the Trust:

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

Oregon Tech retains risk for losses under \$5, which is the deductible per claim for insurance purchased through the Trust.

The Trust is backed by commercial policies, an excess property policy with a limit of \$500,000, and a blanket commercial excess bond with a limit of \$50,000. The Trust purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risk of loss.

Oregon Tech is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial esti-

mates of the amounts needed to pay prior and current-year claims.

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

Through June 30, 2014, Oregon Tech participated in the OUS Risk Management Fund managed by the OUS Office of Risk Management. Effective as of July 1, 2014, all assets and liabilities of the OUS Risk Management Fund were transferred to the Trust.

17. Commitments and Contingent Liabilities

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately \$578 and \$2,227 at June 30, 2015 and 2014, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other Oregon Tech funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2015.

Oregon Tech 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.

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. Oregon Tech 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 Oregon Tech cannot be reasonably determined at June 30, 2015.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2015

	Total Commitment	Completed to Date	Outstanding Commitment
Utility Tunnel Repair	\$ 707	\$ 129	\$ 578

18. Subsequent Events

SALE OF REAL PROPERTY

In July, 2015, Oregon Tech sold a building for \$4.2 million with a gain on the sale of \$3.3 million.

REMOVAL OF STATE PAID DEBT

As a result of Oregon Tech becoming a component unit of the state rather than an enterprise fund of the State for financial reporting beginning with the fiscal year ended June 30, 2016, all state paid debt recorded by Oregon Tech as a long-term liability will be removed from



Notes to the Financial Statements

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

Oregon Tech and recorded by the State of Oregon as the owner of the debt. State paid debt includes 100 percent of XI-G, XI-Q and Lottery bonds and a portion of COPs.

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

Effective July 1, 2015, Oregon Tech became an independent legal entity governed by the Oregon Tech Board of Trustees. See "Note 1.A. Reporting Entity" for additional information about this change in legal status.

NEW STATE SICK LEAVE LAW

SB 454, passed in the 2015 Oregon Legislation, will take effect January 2016. The legislation mandates sick leave time for employers with more than 10 employees. The effect of this legislation should be immaterial as the majority of employees are covered by current sick leave policies. Employee classes that will become eligible for sick leave under this regulation include temporary employees and student employees not working on a work-study grant. They will receive 1.33 hours of leave for each 40 hours worked.

PENSION OBLIGATION LIABILITY

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of SB 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2 percent increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10,000.

June 30, 2014 Measurement Date (MD)

	Prior to Moro	After Moro (estimated)
Net Pension Liability (Asset)		
Total Pension Liability	\$ 63,135	\$ 68,050
Fiduciary Net Position	65,402	65,400
Net Pension Liability (Asset)	\$ (2,267)	\$ 2,650

Oregon Tech proportionate share of the statewide pension plan at MD	0.09411597%
Oregon Tech net pension (asset) prior to Moro (full dollars)	\$ (2,133,340)
Estimated fund net pension liability at MD after Moro (full dollars)	\$ 2,494,073

resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the university, the Foundation is considered a component unit of Oregon Tech and is discretely presented in the financial statements. The financial activity is reported for the year ended June 30, 2015.

During the year ended June 30, 2015 gifts of \$710 were transferred from the Foundation to Oregon Tech. The Oregon Tech affiliated foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the Oregon Tech component unit on pages 19 and 21 of this report.

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

Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR
97601-8801

19. University Foundation

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of Oregon Tech. The Oregon Tech Foundation (Foundation) is a legally separate, tax-exempt entity with an independent governing board. Although Oregon Tech does not control the timing or amount of receipts from the Foundation, the majority of



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Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON TECH'S CONTRIBUTIONS * Public Employees Retirement System

	2015	2014	2013	2012
Contractually required contribution	\$ 838	\$ 780	\$ 710	\$ 688
Contributions in relation to the contractually required contribution	838	780	710	688
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Oregon Tech's covered-employee payroll	\$ 11,891	\$ 10,803	\$ 10,215	\$ 9,967
Contributions as a percentage of covered-employee payroll	7.0%	7.2%	7.0%	6.9%

SCHEDULE OF OREGON TECH'S PROPORTIONATE SHARE OF THE NET PENSION ASSET* Public Employees Retirement System

	2015
Oregon Tech's proportion of the net pension asset	0.09%
Oregon Tech's proportionate share of the net pension asset	\$ 2,133
Oregon Tech's covered-employee payroll	\$ 11,891
Oregon Tech's proportionate share of the net pension asset as a percentage of its covered-employee payroll	17.94%
Plan fiduciary net position as a percentage of the total pension asset	109.4%

FUNDING STATUS OF OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 1,210	\$ 1,210	0.0%	\$ 19,780	6.1%
6/30/2011	-	1,294	1,294	0.0%	20,864	6.2%
6/30/2012	-	1,198	1,198	0.0%	19,833	6.0%
6/30/2013	-	1,232	1,232	0.0%	20,784	5.9%
6/30/2014	-	837	837	0.0%	21,484	3.9%
6/30/2015	-	842	842	0.0%	23,146	3.6%

*These schedules will eventually contain 10 years' worth of data. Only the data shown above was available at this time.



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

Vice President for Finance and Administration

Oregon Institute of Technology

Snell Hall 206

Klamath Falls, OR 97601

541-885-1105

Oregon Institute of Technology

www.oit.edu; 541-885-1105

Office of the Vice President for Finance and Administration

Snell Hall 206

Klamath Falls, OR 97601

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