

Oregon **TECH**



2014 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 2014 Annual Report

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Oregon State Board of Higher Education

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

Oregon Tech Executive Officers

- Christopher G. Maples
President

- Brad Burda
Provost and Vice President for Academic Affairs

- Mary Ann Zemke
Vice President for Finance and Administration

- Mateo Aboy
Associate Provost and Vice President for Research

- Erin M. Foley
Vice President for Student Affairs and Dean of Students

- Lita Colligan
Associate Vice President for Strategic Partnerships

- Krista Darrah
Executive Director, Oregon Tech Foundation





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 \$56,000 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

The Oregon Institute of Technology (aka, Oregon Tech) continues to grow and transform to meet higher-education needs in Oregon and the Pacific Northwest, as demographics and industry needs also change and intersect.

Oregon Tech takes expanding access for Oregon students very seriously – particularly those who face significant barriers – in order to meet Oregon’s 40-40-20 education attainment goals. All Oregonians should have the opportunity to go to college and change the trajectory of their lives and their families’ futures. We’re adamant in our advocacy for student support (financial and other types of support) and state financial aid to ensure equity and a chance for all students to attend college and graduate with a relevant, valuable degree.

Over the last year, Oregon Tech has created and launched several new applied-degree programs in response to industry and student demand. This includes new bachelor’s degrees in: Emergency Medical Services, a next-step program for career First Responders; Optical Engineering, which responds to sensor/laser needs in technology sectors; Systems Engineering & Technical Management to meet the need for leaders with a broad understanding of an organization; and most recently, Population Health Management, a program that teaches a proactive, demographic-specific approach to healthcare and social needs. Oregon Tech is also proud of our new Master’s in Marriage and Family Therapy to meet needs in Klamath Falls and across Oregon. Based on our students’ request for degree flexibility, we also brought five more programs on-line during the year.

One of the unique aspects of Oregon Tech is the tie between our production of geothermal- and solar-generated power on our Klamath Falls campus, and the fact that we created the first Renewable Energy Engineering degree in the nation. Our campus is a one-of-a-kind laboratory, providing students with two models of clean, sustainable energy, there for study, research, and hands-on experimentation. Once the new geothermal power plant is fully on-line, Oregon Tech will be the first campus in the U.S. run exclusively on geothermal and solar energy. Low-income residents in the surrounding area also will benefit from the donation of excess power generated by these low-carbon, renewable sources at Oregon Tech.

The future holds much for Oregon Tech. With our own Board of Trustees being fully appointed by the end of 2014 and officially assuming responsibility for the university on July 1, 2015, the possibilities for our students and our polytechnic mission are boundless. Trustees will gain a comprehensive and intimate understanding of Oregon Tech, becoming effective advocates for our university, the education of our students, and the wonderful things we can accomplish for Oregon.



President Christopher G. Maples, Ph.D.

We remain ready to serve Oregonians in affordable ways, provide applied, hands-on approaches to degree attainment, and give our graduates a return on their investment that will pay off for the rest of their lives, and for Oregon’s workforce and its communities for decades to come.

A handwritten signature in black ink, appearing to read 'Chris Maples', written in a cursive style.

Christopher G. Maples
President





Top University Accomplishments

- Fall 2013 term saw record-high student enrollment of 4,414, bolstered by the new Wilsonville campus that began admitting students in fall 2012. The increase also reflects demand for Oregon Tech's specialized polytechnic degrees, which boast the highest return on investment ranking among Northwest universities.
- To better prepare cardiovascular ultrasound students to compete and thrive in the evolving health-care environment, Oregon Tech partnered with Esaote North America to update department capabilities with five new Esaote MyLab® Seven ultrasound systems. These systems engage students in significant hands-on training time to learn both fundamental and advanced imaging techniques they'll routinely use once in the work place.
- Oregon Tech's Klamath Falls campus was the first in the nation to harness both geothermal and solar energy to produce 100% of its present and future electricity needs. Entirely heated by geothermal water for several decades, Oregon Tech commissioned a 1.75-megawatt combined heat and electrical power plant to meet campus energy requirements; and installed a 2.0-megawatt solar array on 9 acres of campus land to accomplish total clean energy production.
- The Renewable Energy and Engineering Master's Degree Program received \$20,000 to conduct research to reduce carbon emissions from automobiles. Graduate students will research solutions for cleaner running cars through a grant from the National Institute for Transportation and Communities (NTIC) and the Oregon Transportation Research and Education Center (OTREC).
- After making news last year for the best return on investment (ROI) among colleges and universities in the Pacific Northwest, Oregon Tech has done it again, according to an annual report by the Seattle-based compensation data company PayScale. In a four-way tie, Oregon Institute of Technology is listed as 34th out of 1,312 for annual ROI, an assessment of long term financial returns for graduates of Oregon Tech.



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CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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



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Emphasis of Matters

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

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting required by Government Auditing Standards

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 24, 2014



Statement of Net Position

As of June 30,	University 2014
	(In thousands)
ASSETS	
Current Assets	
Cash and Cash Equivalents (Note 2)	\$ 9,937
Collateral from Securities Lending (Note 2)	998
Accounts Receivable, Net (Note 3)	4,725
Notes Receivable, Net (Note 4)	380
Inventories	85
Prepaid Expenses	394
Total Current Assets	16,519
Noncurrent Assets	
Cash and Cash Equivalents (Note 2)	3,696
Investments (Note 2)	5,605
Notes Receivable, Net (Note 4)	2,458
Capital Assets, Net of Accumulated Depreciation (Note 5)	96,885
Total Noncurrent Assets	108,644
Total Assets	\$ 125,163
DEFERRED OUTFLOWS OF RESOURCES	
	\$ 1,795
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities (Note 6)	\$ 3,814
Deposits	216
Obligations Under Securities Lending (Note 2)	998
Current Portion of Long-Term Liabilities (Note 8)	3,866
Unearned Revenues	2,552
Total Current Liabilities	11,446
Noncurrent Liabilities	
Long-Term Liabilities (Note 8)	90,836
Total Noncurrent Liabilities	90,836
Total Liabilities	\$ 102,282
DEFERRED INFLOWS OF RESOURCES	
	\$ -
NET POSITION	
Net Investment in Capital Assets	\$ 12,568
Restricted For:	
Expendable:	
Gifts, Grants and Contracts	509
Student Loans	3,412
Capital Projects	1,321
Debt Service	1,674
Unrestricted	5,192
Total Net Position	\$ 24,676

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



Statement of Financial Position

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

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



Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	University 2014
	(In thousands)
OPERATING REVENUES	
Student Tuition and Fees (Net of Allowances of \$6,548)	\$ 21,488
Federal Grants and Contracts	910
State and Local Grants and Contracts	37
Nongovernmental Grants and Contracts	581
Educational Department Sales and Services	299
Auxiliary Enterprises Revenues (Net of Allowances of \$564)	6,609
Other Operating Revenues	284
Total Operating Revenues	30,208
OPERATING EXPENSES	
Instruction	24,470
Research	448
Public Service	112
Academic Support	5,196
Student Services	3,371
Auxiliary Programs	7,927
Institutional Support	5,517
Operation and Maintenance of Plant	3,260
Student Aid	4,301
Other Operating Expenses	4,234
Total Operating Expenses (Note 11)	58,836
Operating Loss	(28,628)
NONOPERATING REVENUES (EXPENSES)	
Government Appropriations (Note 12)	18,207
Financial Aid Grants	7,125
Investment Activity (Note 10)	330
Gain (Loss) on Sale of Assets, Net	(1,031)
Interest Expense	(2,650)
Other Nonoperating Items	2,351
Net Nonoperating Revenues	24,332
Income (Loss) Before Other Nonoperating Revenues	(4,296)
Capital and Debt Service Appropriations (Note 12)	2,496
Capital Grants and Gifts	470
Transfers within OUS	(952)
Total Other Nonoperating Revenues	2,014
Increase (Decrease) In Net Position	(2,282)
NET POSITION	
Beginning Balance	26,958
Ending Balance	\$ 24,676

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

Statement of Activities

	Component Unit
For The Year Ended June 30,	2014
	(In thousands)
REVENUES	
Grants, Bequests and Gifts	\$ 1,112
Investment Income (Loss), Net	2,700
Change in Value of Life Income Agreements	104
Other Revenues	80
Total Revenues	3,996
EXPENSES	
University Support	791
General and Administrative	296
Other Expenses	344
Total Expenses	1,431
Increase In Net Assets	2,565
NET ASSETS	
Beginning Balance	20,320
Ending Balance	\$ 22,885

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



Statement of Cash Flows

For the Year Ended June 30,	University 2014
	(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 19,979
Grants and Contracts	1,599
Educational Department Sales and Services	299
Auxiliary Enterprises Operations	6,572
Payments to Employees for Compensation and Benefits	(38,221)
Payments to Suppliers	(9,805)
Student Financial Aid	(4,415)
Other Operating Receipts	465
Net Cash Provided (Used) by Operating Activities	(23,527)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Government Appropriations	18,207
Financial Aid Grants	5,495
Other Gifts and Private Contracts	2,351
Net Agency Fund Receipts (Payments)	75
Net Transfers Within OUS	(411)
Net Cash Provided (Used) by Noncapital Financing Activities	25,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt Service Appropriations	2,428
Capital Grants and Gifts	430
XI-F Debt Previously Held by Chancellor's Office	35,205
Purchases of Capital Assets	(3,351)
Interest Payments on Capital Debt	(1,448)
Principal Payments on Capital Debt	(2,102)
Net Cash Provided (Used) by Capital and Related Financing Activities	(860)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Sales (Purchases) of Investments	2,571
Interest on Investments and Cash Balances	291
Net Cash Provided (Used) by Investing Activities	2,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,192
CASH AND CASH EQUIVALENTS	
Beginning Balance	9,441
Ending Balance	\$ 13,633

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

Statement of Cash Flows - Continued

For the Year Ended June 30,	University 2014
	(In thousands)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (28,628)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	4,262
Changes in Assets and Liabilities:	
Accounts Receivable	(1,307)
Notes Receivable	(83)
Inventories	(4)
Prepaid Expenses	1,728
Accounts Payable and Accrued Liabilities	286
Long-Term Liabilities	122
Unearned Revenue	97
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (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	40
Internal Bank Loans Converted to XI-F(1) Debt	13,955

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



1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Oregon Institute of Technology, otherwise known as Oregon Tech, is one of the seven 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 seven 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 State Board of Higher Education unconditionally endorsed Oregon Tech to become separate legal entities 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 GASB 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. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB 65 amended or superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. Certain items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows of resources, and certain items are now recognized as expenses or revenues in the period incurred. As a result of the implementation, Oregon Tech reclassified \$1,795 in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows for financial statement purposes.

Oregon Tech implemented GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for the fiscal year ended June 30, 2014. GASB 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-1989 FASB and AICPA Pronouncements*. The adoption of GASB 66 did not materially impact the Oregon Tech financial statements.

The Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for the fiscal year ended June 30, 2014. GASB 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to Oregon Tech. The measurement of net pension liability in accordance with GASB 67 will increase liabilities for Oregon Tech as it implements GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

Oregon Tech implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB 70 has resulted in an additional note to the financial statements, 8.I. Financial Guarantees. The adoption of GASB 70 did not materially impact the Oregon Tech financial statements.

UPCOMING ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of Oregon Tech is unavailable at this time. However, the adoption of GASB 68 is expected to have a significant negative impact on the unrestricted net position of Oregon Tech.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB 69 requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 69 is not expected to have a material impact on the Oregon Tech financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the measurement Date - An Amendment of GASB Statement No. 68*. GASB 71 updates GASB 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 71 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 expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of \$50 to \$100, depending on the type of real property. Intangible assets valued in excess of \$100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Oregon Tech capitalizes interest expense on projects exceeding \$20 million that are partially or fully funded by XI-F debt or internally generated funds. For the fiscal year ended 2014, 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 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.



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

K. 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 2015 is estimated to be \$10.

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.

L. 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, 2014 because there is no significant amount of taxes on such unrelated business income for Oregon Tech.

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

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, 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 GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to

students and the amounts actually 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 \$2,203 for the fiscal year ended 2014. 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 \$4,723 for the fiscal year ended 2014. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$186 for the fiscal year ended 2014.

O. 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 reported in an agency fund. Federal student loans received by Oregon Tech students but not reported in operations was \$20,615 for the fiscal year ended 2014.

P. Use of Estimates

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

2. Cash and Investments

OUS maintains centralized management for substantially all of the System's member universities' cash and investments. The invested assets of OUS are managed through several investment pools at the Oregon State Treasury (State Treasury), which commingle the invested assets of all member universities including Oregon Tech. Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

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 OUS Portfolio risk exposure, see the OUS 2014 Annual Financial Statements at www.ous.edu/sites/default/files/cont-div/annual_financial_reptg/fy2014_afs.pdf.

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

Oregon Tech maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury 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



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal year ended June 30, 2014, Oregon Tech cash and cash equivalents on deposit at State Treasury was \$13,559.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The current portion includes \$51 in restricted agency funds for payroll liabilities and undistributed student loans and \$769 restricted for debt service payments. The noncurrent portion includes \$15 in restricted agency funds for Oregon Tech student groups and campus organizations.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. Since 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 year ended June 30, 2014, Oregon Tech had vault and petty cash balances of \$74. Additionally, Oregon Tech had small amounts of cash invested with a fiscal agent relating to debt issuances.

B. Investments

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

Investments are all classified as noncurrent and include both restricted and unrestricted funds. Of the total \$5,605 in investments, \$304 are temporarily restricted endowments, \$42 are restricted agency funds for payroll liabilities and undistributed student loans and \$561 are restricted for debt service payments.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets 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 OUS 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, 2014.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, Oregon Tech had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

Of Oregon Tech's total investments invested through the OUS investment pools, \$1,481 is invested in an intermediate term pool managed by State Treasury, \$3,820 are individually held investments of the Pool, and \$304 is 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, 2014 as follows:

COMPONENT UNIT

Fair Value at June 30, Investment Type:	2014
Corporate Stocks, Bonds, Securities and Mutual Funds	\$ 18,140
Investment in Common Stock, Voting Trust and Partnerships	1,817
Money Market Funds and Certificates of Deposit	98
Remainder Trusts, Unitrusts and Gift Annuities	1,242
Alternative Investments	1,363
Total Investments	<u>\$ 22,660</u>

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% 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. Oregon Tech, as a member university of the OUS, follows the OUS policy on investments.

Based on these parameters, as of June 30, 2014, approximately 79.6 percent of investments in the OUS Pool are subject to credit risk reporting. Corporate bonds 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 \$154,485 in fiscal year 2014. Corporate bonds which have not been evaluated by the rating agencies totaled \$79,936 in fiscal year 2014. The OUS Investment Pool totalled \$299,160 at June 30, 2014, of which Oregon Tech owned \$5,605 or 1.9 percent.



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

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% 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. Of the total OUS Investment Pool of \$299,160, \$29,970 in deposits and mutual funds are primarily invested in international debt and international equities at June 30, 2014. Approximately \$6,201 of these investments have foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

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, 2014, securities in the OUS Investment Pool held subject to interest rate risk totaling \$245,840 had an average duration of 3.04. Duration measures the change in the value of a fixed income security that will result from a 1% 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 the OUS and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There have been no significant violations of the provisions of securities lending agreements. 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 OUS 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% of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for OUS securities on loan in the OSTF. At June 30, 2014, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name.

The 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 component unit, comprised the following:

	June 30, 2014
Student Tuition and Fees	\$ 2,808
Auxiliary Enterprises and Other	
Operating Activities	398
Federal Grants and Contracts	218
Component Units	182
State, Other Government, and Private	
Gifts, Grants and Contracts	101
Other	1,451
	<u>5,158</u>
Less: Allowance for Doubtful Accounts	(433)
Accounts Receivable, Net	<u>\$ 4,725</u>

4. Notes Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 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.



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

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, 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

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
Capital Assets,					
Non-depreciable/Non-amortizable:					
Land	\$ 5,474	\$ -	\$ -	\$ -	\$ 5,474
Capitalized Collections	2,067	3	-	(1,031)	1,039
Construction in Progress	6,308	2,693	(256)	-	8,745
Total Capital Assets, Non-depreciable/Non-amortizable	13,849	2,696	(256)	(1,031)	15,258
Capital Assets, Depreciable/ Amortizable:					
Equipment	12,145	683	-	-	12,828
Library Materials	9,715	90	-	(67)	9,738
Buildings	109,280	44	-	-	109,324
Land Improvements	3,256	-	22	-	3,278
Improvements Other Than Buildings	389	-	12	-	401
Infrastructure	9,987	-	222	-	10,209
Intangible Assets	1,970	-	-	-	1,970
Total Capital Assets, Depreciable/Amortizable	146,742	817	256	(67)	147,748
Less Accumulated Depreciation/ Amortization for:					
Equipment	(10,005)	(722)	-	-	(10,727)
Library Materials	(8,643)	(235)	-	67	(8,811)
Buildings	(34,323)	(2,738)	-	-	(37,061)
Land Improvements	(1,825)	(113)	-	-	(1,938)
Improvements Other Than Buildings	(156)	(34)	-	-	(190)
Infrastructure	(5,293)	(341)	-	-	(5,634)
Intangible Assets	(1,681)	(79)	-	-	(1,760)
Total Accumulated Depreciation/ Amortization	(61,926)	(4,262)	-	67	(66,121)
Total Capital Assets, Net	\$ 98,665	\$ (749)	\$ -	\$ (1,031)	\$ 96,885
Capital Assets Summary					
Capital Assets, Non-depreciable/ Non-amortizable	\$ 13,849	\$ 2,696	\$ (256)	\$ (1,031)	\$ 15,258
Capital Assets, Depreciable/ Amortizable	146,742	817	256	(67)	147,748
Total Cost of Capital Assets	160,591	3,513	-	(1,098)	163,006
Less Accumulated Depreciation/ Amortization	(61,926)	(4,262)	-	67	(66,121)
Total Capital Assets, Net	\$ 98,665	\$ (749)	\$ -	\$ (1,031)	\$ 96,885



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

6. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2014
Services and Supplies	\$ 888
Salaries and Wages	1,558
Accrued Interest	1,201
Payroll Related Expenses	5
Contract Retainage Payable	134
Financial Aid	23
Refunds Payable	5
Total	<u>\$ 3,814</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 \$544 for the year ended June 30, 2014. The original cost of assets leased, net of depreciation, was \$6,267 for the year ended June 30, 2014. Minimum future lease revenue for noncancelable operating leases at June 30, 2014 were:

For the year ending June 30,

2015	\$ 612
2016	599
2017	105
2018	2
2019	1
2020-2024	7
2025-2029	7
2030-2034	7
2035-2039	7
2040-2044	7
2045-2049	6
Total Minimum Operating Lease Revenues	<u>\$ 1,360</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 \$674 for the year ended June 30, 2014. Minimum future lease payments on operating leases at June 30, 2014 were:

For the year ending June 30,

2015	\$ 691
2016	555
2017	531
2018	298
2019	187
2020-2024	385
Total Minimum Operating Lease Payments	<u>\$ 2,647</u>



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

8. Long-Term Liabilities

Long-term liability activity was as follows:

	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

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

For the Year Ending June 30,	General Obligation Bonds					Lottery Bonds	Total Payments	Principal	Interest
	XI-F(1)	XI-G	XI-Q	SELP	COPs				
2015	\$ 3,234	\$ 1,085	\$ 57	\$ 248	\$ 288	\$ 885	\$ 5,797	\$ 2,139	\$ 3,658
2016	3,405	1,087	57	248	289	1,793	6,879	3,274	3,605
2017	3,287	1,088	57	248	288	3,206	8,174	4,661	3,513
2018	3,222	1,078	57	191	289	3,205	8,042	4,744	3,298
2019	3,238	974	56	157	289	3,206	7,920	4,832	3,088
2020-2024	15,570	4,880	284	786	1,444	7,865	30,829	17,707	13,122
2025-2029	14,815	4,724	283	785	1,444	6,003	28,054	18,879	9,175
2030-2034	11,682	3,469	283	152	-	4,154	19,740	15,005	4,735
2035-2039	8,511	2,739	113	-	-	-	11,363	9,579	1,784
2040-2044	3,000	-	-	-	-	-	3,000	2,655	345
Accreted Interest								740	(740)
								\$ 84,215	\$ 45,583
Total Future Debt Service	69,964	21,124	1,247	2,815	4,331	30,317	129,798		
Less: Interest Component of Future Payments	(27,082)	(7,806)	(501)	(914)	(1,297)	(7,983)	(45,583)		
Principal Portion of Future Payments	42,882	13,318	746	1,901	3,034	22,334	84,215		
Adjusted by:									
Unamortized Bond Premiums	3,994	335	89	-	124	1,774	6,316		
Total Long-Term Debt	\$ 46,876	\$ 13,653	\$ 835	\$ 1,901	\$ 3,158	\$ 24,108	\$ 90,531		



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

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. In addition, Oregon Tech also borrows funds from the Oregon Department of Energy. Principal and interest amounts due relating to Oregon Tech's share of these debt issuances are payable to OUS.

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, 2014, the OUS Board issued bonded indebtedness as follows:

- XI-F(1) Taxable and Tax Exempt Bond Series 2013 NO, \$115,105, effective rate of 4.3 percent for capital construction due serially through 2044.
- XI-F(1) Taxable and Tax Exempt Bond Series 2014 CD, \$68,440, effective rate of 3.6 percent for capital construction due serially through 2044.

Oregon Tech's portion of the 2013 NO bond sale for new money projects was a par value of \$9,555, the proceeds of which partially funded the Wilsonville project.

Oregon Tech's portion of the 2014 CD bond sale for new money projects was a par value of \$1,785, the proceeds of which funded the following projects:

- Deferred Maintenance for Auxiliaries \$1,690
- College Union Student Building Fund Allocation \$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 pending 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 0.25 percent to 7.0 percent, are due serially through 2042. During the fiscal year ended June 30, 2014, the State did not issue any XI-G bonds on OUS's behalf.

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal year ended June 30, 2014, the State did not issue any XI-Q bonds on OUS'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 2.0 percent to 6.0 percent, are due through 2033.

F. Certificates of Participation

COPs, with effective yields ranging from 2.1 percent to 6.2 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of OUS since fiscal year 2010.

G. Lottery Bonds

Lottery Bonds, with effective yields ranging from 0.48 percent to 5.3 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2014, the State issued no Lottery Bonds on OUS'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 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.

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 ultimately responsible for OUS's financial obligations. As of June 30, 2014, 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 in the amount of \$121 for June 30, 2014. Principal payments of \$49 were applied to the liability for June 30, 2014.

9. Prior Period Restatements

There are no prior period restatements or corrections for Oregon Tech for fiscal year 2014.



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

10. Investment Activity

Investment Activity detail is as follows:

	<u>June 30, 2014</u>
Internal Bank Investment Earnings	281
Net Appreciation of Investments	\$ 40
Temporarily Restricted Endowment Income	9
Total Investment Activity	\$ 330

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, 2014</u>
Compensation and Benefits	\$ 38,656
Services and Supplies	11,361
Scholarships and Fellowships	4,415
Depreciation and Amortization	4,262
Other Expenses	142
Total Operating Expenses	\$ 58,836

12. Government Appropriations

Government appropriations comprised the following:

	<u>June 30, 2014</u>		
	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, as a member university of the OUS, offers various retirement plans to qualified employees as described below.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/ OREGON PUBLIC SERVICE RETIREMENT PLAN

Oregon Public Employees Retirement System (System) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which Oregon Tech employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by ORS Chapters 238 and 238A. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

The State of Oregon Public Employees Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible

position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

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

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

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program (IAP) and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The employer contribution rates for Tier One and Two for the year ended June 30, 2014 was 9.86 percent.

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 6.33 percent. Payroll assessments for the fiscal year ended June 30, 2014 was \$697.

The Oregon Public Service Retirement Plan (OPSRP) is composed of a pension program and an Individual Account Program (IAP). OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes. The 2003 Oregon Legislature enacted ORS 238.025 creating OPSRP. Employees hired into eligible positions on or after August 29, 2003 are enrolled.

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

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The employer contribution rate for OPSRP for the year ended June 30, 2014 was 8.14 percent.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

Oregon Tech employer contributions to PERS and OPSRP for the year ended June 30, 2014 was \$950, equal to the required contributions for that year.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2013. The valuation included projected payroll growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2013, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was \$58.6 billion and \$1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were \$48.1 billion and \$1.2 billion, respectively. Information for OUS, including Oregon Tech as a member university, as a stand-alone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking on the Internet at oregon.gov/pers/docs/financial_reports/2012_cafr.pdf, or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OPTIONAL RETIREMENT PLAN

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

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

	<u>2014</u>
ORP Tier One	16.50%
ORP Tier Two	16.50%
OPSRP Equivalent	6.42%

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/ COLLEGE RETIREMENT EQUITIES FUND

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

SUMMARY OF PENSION PAYMENTS

Oregon Tech total payroll for the year ended June 30, 2014 was \$26,261, of which \$21,484 was subject to retirement contributions. The following schedule lists payments made by Oregon Tech for the fiscal year:

	<u>June 30, 2014</u>			
	<u>Employer</u> <u>Contribution</u>	<u>As a % of</u> <u>Covered</u> <u>Payroll</u>	<u>Employee</u> <u>Contribution</u>	<u>As a % of</u> <u>Covered</u> <u>Payroll</u>
PERS/OPSRP	\$ 950	4.42%	\$ 642	2.99%
ORP	1,135	5.28%	634	2.95%
TIAA-CREF	6	0.03%	6	0.03%
Total	<u>\$ 2,091</u>	<u>9.73%</u>	<u>\$ 1,282</u>	<u>5.97%</u>

Of the employee share, the employer paid \$642 of PERS/OPSRP, \$634 of ORP, and \$6 of TIAA-CREF during the fiscal year ended June 30, 2014.

14. Other Postemployment Benefits (OPEB)

During the year ended June 30, 2014, 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 OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by 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 2014.

Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

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

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 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:

	<u>June 30, 2014</u>
Annual Required Contribution	\$ 102
Interest on Net OPEB Obligation	21
Adjustment to Annual Required Contribution	(40)
Prior Period Adjustment	48
Annual OPEB Cost	<u>131</u>
Contributions Made	<u>(53)</u>
Increase in Net OPEB Obligation	78
Net OPEB Obligation - Beginning of Year	547
Net OPEB Obligation - End of Year	<u>\$ 625</u>

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, 2014 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 131	21%	\$ 625
2013	127	23%	547
2012	120	25%	476

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

	<u>June 30, 2014</u>
Actuarial Accrued Liabilities	\$ 837
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 837</u>
Funded Ratio	0.00%
Covered Payroll (active plan members)	\$ 21,484
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	3.90%

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

and new estimates are made about the future.

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between 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:

	<u>June 30, 2014</u>
Actuarial Valuation Date	7/1/2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period	15 Years (open)
Investment Rate of Return	3.5%
Projected Salary Increases	3.5%
Initial Healthcare Inflation Rates	3.6% (medical), 2.2% (dental)
Ultimate Healthcare Inflation Rates	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, 2014 was \$64.

16. Risk Financing

Oregon Tech participates in the OUS Risk Management Fund managed by the OUS Office of Risk Management. The following risks have been transferred to the OUS fund:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort Liability claims brought against Oregon Tech, 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.

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014 risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of \$3 million in case reserves.

In addition to the Office of Risk Management the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight



Notes to the Financial Statements

For the Year Ended June 30, 2014 (dollars in thousands)

Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

During the year ending June 30, 2014 the Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at \$9 billion and included a \$500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over \$190 towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as director's and officers, errors and omissions, and employment liability. Limits of liability for this program total \$50 million and for general liability and educator's legal liability, this is an excess of over \$1 million in the self-insured program.

Oregon Tech is charged an assessment to cover the OUS Risk Management Fund's cost of servicing claims and payments based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

17. Commitments and Contingent Liabilities

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately \$2,227 at June 30, 2014. 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, 2014.

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, 2014.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2014

	Total Commitment	Completed to Date	Outstanding Commitment
Deferred Maintenance	\$ 2,457	\$ 1,101	\$ 1,356
Geothermal Power Plant	3,650	2,779	871
	<u>\$ 6,107</u>	<u>\$ 3,880</u>	<u>\$ 2,227</u>

18. Subsequent Events

BONDED INDEBTEDNESS

On July 29, 2014, the State issued on behalf of OUS \$13,361 in Lottery Bonds with an average interest rate of 5.0 percent to refund \$14,250 in Lottery Bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were \$15,831 (after payment of \$65 in underwriting costs and bond premium of \$2,534).

Oregon Tech's share of the refunding was \$681 in new bonds to refund \$727 in previously issued debt. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$53. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by \$81 and resulted in an economic gain of \$67.

RISK MANAGEMENT STRUCTURE CHANGE

Effective as of July 1, 2014 the OUS Risk Fund (see Note 16) was transferred to 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. Under provisions of SB 270, Oregon Tech is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established OUS Risk Fund are transferred to the Trust on the effective date. The following risks have also been transferred from the Fund to the Trust:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against the universities, their 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.

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 Development 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 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

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

in the financial statements. The financial activity is reported for the year ended June 30, 2014.

During the year ended June 30, 2014 gifts of \$666 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 11 and 13 of this report.

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

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



Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued 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%



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

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