Oregon University System

2015 Annual Financial Report

Eastern Oregon University | Oregon Institute of Technology
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Oregon University System
2015 Annual Report

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Cover photo: SOU; small cover photos from left—
OIT, EOU, WOU; photo to the right: EOU.

System Universities

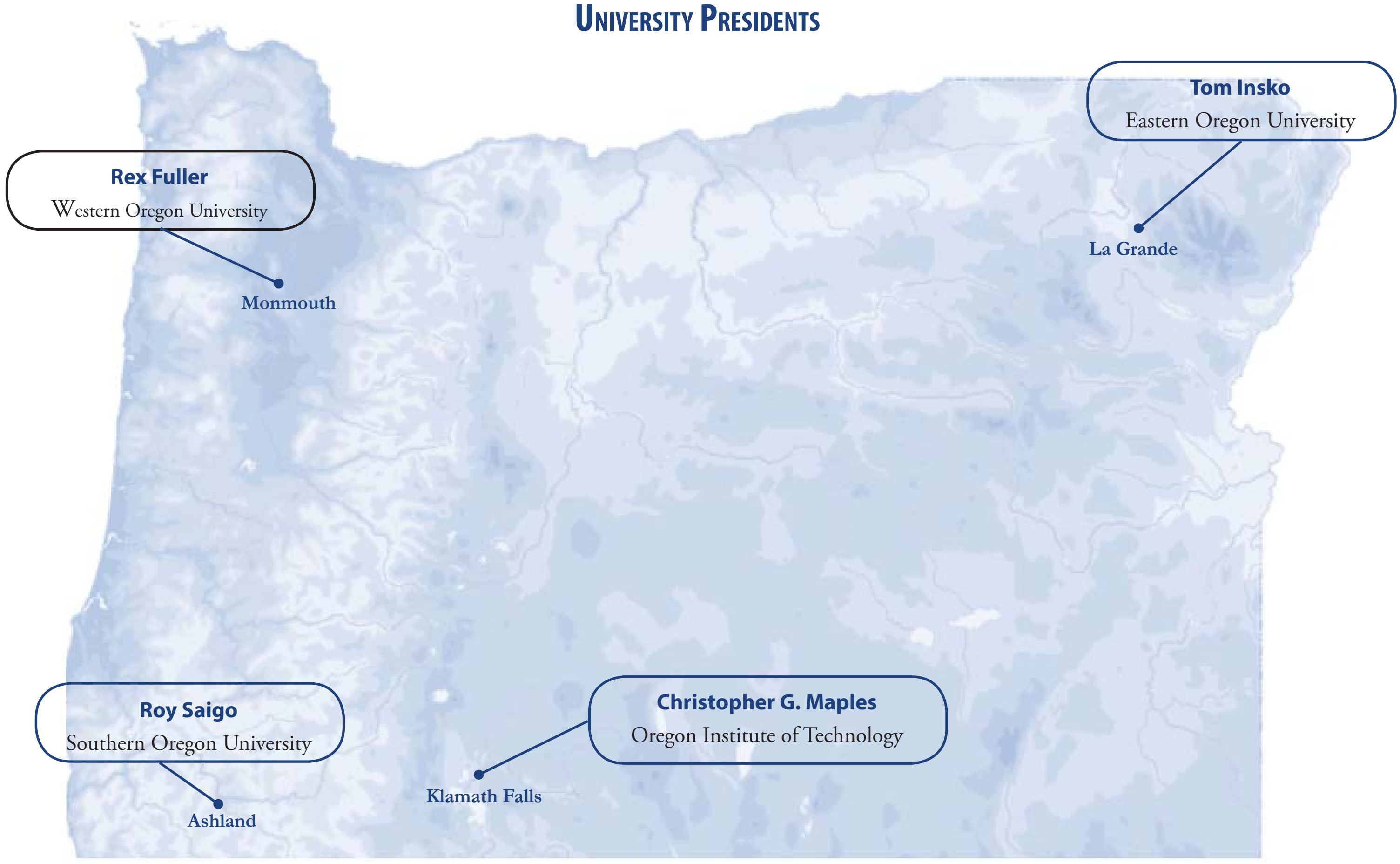
Eastern Oregon University—EOU was founded in 1929 as a teachers college and today serves its regional mission through programs in the liberal arts; professional programs in business, education, and community service; and cooperative programs in agriculture, dental health and nursing. EOU is located in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

Oregon Institute of Technology—Oregon Tech, the Northwest's only polytechnic institution, was founded in 1947 and serves the state with programs in business, engineering and health technologies, and cooperative programs in dental health and nursing. Oregon Tech is located in Klamath Falls, Oregon and offers statewide opportunities with an expanding presence in the Portland metro area.

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

Western Oregon University—WOU was founded in 1856 as a teachers college and provides programs in liberal arts and sciences and professional programs in education, business, and public services; and a cooperative program in nursing. WOU is located in Monmouth, Oregon.

University Presidents



Message from the Acting Chancellor

Acting Chancellor Cathy Dyck

This past year was spent preparing for the closure of the Oregon State Board of Higher Education (OSBHE), the Oregon University System and the Chancellor's Office. Our first six months of the fiscal year was focused on establishing independent governing boards for the four Technical and Regional Universities (TRU), including training for the executive staff members and new Board directors by the nationally recognized Association of Governing Boards. Our final six months of the fiscal year were focused on completing the closure of our offices and ensuring a transparent and correct process was implemented. In addition to the stated objectives related to establishment of new boards and the closure of the state system, a large amount of regular business was conducted, including three OSBHE meetings convened at campuses across the state.

Each of the TRUs was fully supported throughout the year, with a focus put on preparation for independent operations. Trainings were facilitated on policy transfer and implementation, governance structure, and construction cost controls. Regular meetings of all TRU vice presidents for finance and administration were convened, and evaluations were performed for the OIT and SOU presidents. Presidential searches were complete and new presidents were hired at EOU and WOU.

Preparing for and implementing the closure was a tremendous set of tasks. Two staff retreats and several all-staff meetings were convened to plan for and manage the items associated with closing the offices. A facilitator was utilized for the retreats and assisted in our identification and collation of over 200 key items that had to be completed. These items were tracked and the status of all was regularly updated and distributed to all staff to ensure we were on track for our June 30, 2015 deadline. Both electronic and paper files were transferred to campuses and the Oregon Secretary of State Archives and the Higher Education Coordinating Commission after being sorted according to the state retention schedule.

As of today, the TRUs are prepared to operate independently, all OUS accounts have been brought to zero and the funds appropriately spent or transferred, and all files, equipment and furniture have been transferred to campuses or state agencies.

This is the end of an era for Higher Education in Oregon and the Oregon University System has been proud to be a part of this great history.

Cathy Dyck

Cathy Dyck

Acting Chancellor

- Tom Insko, an eastern Oregon native and EOU graduate, is selected as the university's 12th president beginning July 1. His previous and ongoing involvement includes serving two terms as president of the EOU Foundation and several years as a Foundation trustee.
- EOU holds No. 1 rank as Best in State Online College for 2015 on the latest list compiled and published by Affordable Colleges Online. EOU offers more than a dozen online majors and minors in a variety of fields, including a new undergraduate degree in emergency medical services administration and online master of business administration cohort beginning this fall.
- Two students receive scholarships from the Oregon NASA Space Grant Consortium. One is conducting biosensor research on campus and the other is interning as a member of the gravitational microlensing team at the Goddard Space Flight Center in Greenbelt, Md.
- New Eastern Advantage program is unveiled, promising students on time graduation, fixed tuition rates, priority financial planning, career services support and more. First-time freshmen from Oregon, Idaho or Washington attending EOU's main campus are eligible to participate.
- Chemistry student Jeremy Bard is one of 29 students nationwide selected as a SCI Scholar and placed in the prestigious paid industrial internship program funded by the Society of Chemical Industry.

- 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% over 2013, and by 44% 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%. Campus diversity also continued to improve in Fall 2014, with 26.6% 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% 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 number of applications and admitted students both reached three-year highs for fall 2014, as did the percent of admitted students. The University also experienced a three-year high in fall 2014 in the number of minority students enrolled as well as the number of new admits from Oregon community colleges, illustrating our commitment to providing access to quality higher education for all Oregonians.
- SOU worked with regional high schools and community colleges to develop creative strategic partnerships and opportunities to effectively and efficiently deliver higher education services throughout our region.

- SOU launched the "Count Me In" campaign, a new, 100-hour social media-driven initiative that raised more than $210,000 in new scholarships for students while attracting donations from more than 400 alumni, faculty, staff, students, and community members, many of whom were first-time donors. The campaign also raised awareness of SOU's distinctive programs and commitment to student success.
- SOU launched the Oregon Center for the Arts at Southern Oregon University. The Oregon Center for the Arts brings creatives together to practice their individual artistic passions while inspiring one another across the disciplines. The Oregon Center for the Arts in home to multiple academic programs, including Creative Writing, Dance and Movement, Music, Theatre, and Emerging Media and Digital Arts.
- The SOU Raiders won the NAIA National Championship in football and had SOU's highest-ever ranking in the NAIA Director's Cup, which is awarded annually to the nation's best overall collegiate athletics program.

Western Oregon UNIVERSITY

- At the beginning of May, WOU's Director of Sports Performance, Cori Metzgar, was named a Master Strength and Conditioning Coach by the Collegiate Strength and Conditioning Coaches association (CSCCa).In order to receive this certification and corresponding title of distinction, an individual must hold a bachelor's degree, be a currently practicing, full-time strength & conditioning coach on the collegiate or professional level, hold current membership in the CSCCa, hold the CSCCa Certification – SCCC (Strength & Conditioning Coach Certified), and have a minimum of 12 years of experience as a full-time strength and conditioning coach on the collegiate and/or professional level. With this honor, Metzgar becomes one of 160 Master Strength & Conditioning Coaches in the nation and joins an elite group of females to hold the certification.
- Three WOU advisers received NACADA Advising Awards. The Global Community for Academic Advising (NACADA) promotes and supports quality academic advising in institutions of higher education to enhance the educational development of students. NACADA provides a forum for discussion, debate, and the exchange of ideas pertaining to academic advising through numerous activities and publications. WOU has been the recipient of numerous NACADA Advising Awards dating back to 2008.
- The Research Institute (TRI) at Western Oregon University (WOU) has been awarded a $1 million grant by the Oregon Department of Education to recruit and educate 60 teachers to become Elementary Mathematics Instructional Leaders, which will help meet Oregon's 40-40-20 goal and the national need for STEM professionals. Project DEMILO (Developing Elementary Mathematics Instructional Leaders in Oregon) is a collaboration between WOU, the Willamette Education Service District and the Oregon Coast STEM Hub to address the need for increased mathematics content knowledge for elementary school teachers. WOU is the first university in Oregon to offer an Oregon Teacher Standards and Practices Commission (TSPC) approved program leading to an Elementary Mathematics Instructional Leader specialization.
- TRI Child Development Center (TRI-CDC) was awarded a $50,000 grant by the Ford Family Foundation to assist in creating an infant/toddler child development center in collaboration with the Central School District (CSD), Polk County Family & Community Outreach, and Mid-Willamette Valley Community Action Agency Early Head Start (EHS). The grant award will support the renovation of a building owned by the Central School District to create a model early learning center primarily for teen parents and their children ages 6 weeks to three years. TRI-CDC will provide expert early childhood professionals to ensure the development of an inclusive, high quality, nurturing environment for young children.The center will be operated by TRI-CDC as a placement site for Central and WOU teen parents, children enrolled in Early Head Start, and families from the surrounding community. The site will be designed as a model demonstration site and serve as a practicum placement for CSD and WOU students to receive practicum hours and course credits. Students from CSD and WOU as well as teen parents will be able to use the proposed observation room to observe and practice appropriate guidance techniques, plan and implement curriculum and observe and assess children's development.
- WOU has renamed the Health and Wellness Center after state Senate President Peter Courtney, who worked at the university for 30 years. The naming ceremony took place just before the university's commencement ceremony, at which Courtney was the keynote speaker. Other speakers included Gov. Kate Brown, former Gov. Ted Kulongoski, WOU President Mark Weiss. Courtney, who in November was named presiding officer of the Oregon Senate for a record seventh term, joined Western Oregon University in 1984 as assistant to the president. He served in that position under six presidents until his retirement in December 2014. He held other roles, including speech communication instructor and Commencement Committee chair.

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INDEPENDENT AUDITORS' REPORT

Oregon University System

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Oregon University System (the System), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System'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 aggregate discretely presented component units, which represents 100 percent of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports 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 component units 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 System'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 System'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 reports 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 units of the System as of June 30, 2015, 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.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 1(B), to the financial statements, the System implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the System's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1(S).

Dissolution of the System

As discussed in Note 1(A) to the financial statements, the System ceased to exist on July 1, 2015, and the four member universities became independent legal entities. The assets, deferred outflows, liabilities, deferred inflows, and net position were distributed to the respective four member universities as of July 1, 2015. 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 Schedule of the System's Contributions, the Schedule of the System's Proportionate Share of the Net Pension Asset, and the Schedule of Funding Status of Other Postemployment Benefits as listed in the table of contents as Required Supplementary Information 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplementary schedules, the Message from the Interim Chancellor, and Top University Accomplishments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Message from the Interim Chancellor and Top University Accomplishments have 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 them.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the System'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 System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 5, 2016

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As of June 30,		University System 2015
		(In thousands)
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$	33,593
Collateral from Securities Lending (Note 2)		6,142
Accounts Receivable, Net (Note 3)		59,973
Notes Receivable, Net (Note 4)		52,265
Inventories		1,536
Prepaid Expenses		5,195
Total Current Assets		158,704
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	$	78,518
Investments (Note 2)		75,876
Notes Receivable, Net (Note 4)		1,115,039
Net Pension Asset (Note 13)		15,062
Capital Assets, Net of Accumulated Depreciation (Note 5)		369,974
Total Noncurrent Assets		1,654,469
Total Assets	$	1,813,173
DEFERRED OUTFLOWS OF RESOURCES	$	52,102
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$	34,099
Deposits		41,341
Obligations Under Securities Lending (Note 2)		6,142
Current Portion of Long-Term Liabilities (Note 8)		97,375
Unearned Revenues		11,973
Total Current Liabilites		190,930
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)		2,048,558
Total Noncurrent Liabilities		2,048,558
Total Liabilities	$	2,239,488
DEFERRED INFLOWS OF RESOURCES	$	29,063
NET POSITION		
Net Investment in Capital Assets	$	32,017
Restricted For:		
Nonexpendable Endowments		2,366
Expendable:		
Gifts, Grants and Contracts		3,837
Student Loans		15,096
Capital Projects		7,886
Debt Service		71,782
Unrestricted		(536,260)
Total Net Position	$	(403,276)

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

As of June 30,		Component Units 2015
		(In thousands)
ASSETS		
Cash and Cash Equivalents	$	3,349
Contributions, Pledges and Grants Receivable, Net		872
Investments (Note 2)		71,924
Prepaid Expenses and Other Assets		1,109
Property and Equipment, Net		3,447
Total Assets	$	80,701
LIABILITIES		
Accounts Payable and Accrued Liabilities	$	72
Accounts Payable to Universities		923
Obligations to Beneficiaries of Split-Interest Agreements		1,954
Deposits and Unearned Revenue		210
Long-Term Liabilities		1,004
Total Liabilities	$	4,163
NET ASSETS		
Unrestricted	$	12,402
Temporarily Restricted		21,286
Permanently Restricted		42,850
Total Net Assets	$	76,538

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

For the Year Ended June 30,	2015
	(In thousands)
OPERATING REVENUES	
Student Tuition and Fees (Net of Allowances of $33,452)	$ 96,758
Federal Grants and Contracts	13,876
State and Local Grants and Contracts	7,615
Nongovernmental Grants and Contracts	4,711
Educational Department Sales and Services	3,799
Auxiliary Enterprises Revenues (Net of Allowances of $3,220)	43,444
Other Operating Revenues	5,345
Total Operating Revenues	175,548
OPERATING EXPENSES	
Instruction	96,789
Research	3,933
Public Service	6,276
Academic Support	26,462
Student Services	16,366
Auxiliary Programs	53,063
Institutional Support	30,842
Operation and Maintenance of Plant	14,271
Student Aid	23,377
Other Operating Expenses	17,110
Total Operating Expenses (Note 11)	288,489
Operating Loss	(112,941)
NONOPERATING REVENUES (EXPENSES)	
Government Appropriations (Note 12)	75,169
Grants	39,407
Investment Activity (Note 10)	12,431
Gain (Loss) on Sale of Assets, Net	(346)
Interest Expense	(46,108)
Other Nonoperating Items	8,224
Net Nonoperating Revenues	88,777
Loss Before Other Nonoperating Revenues	(24,164)
Debt Service Appropriations (Note 12)	41,779
Capital Grants and Gifts	2,206
Total Other Nonoperating Revenues	43,985
Increase In Net Position Prior to Special/Extraordinary Items	19,821
SPECIAL AND EXTRAORDINARY ITEMS	
Special Item - Change in Entity (Note 9)	(1,956,089)
Decrease In Net Position After Special/Extraordinary Items	(1,936,268)
NET POSITION	
Beginning Balance	1,560,491
Change in Accounting Principle (Note 1, Section S)	(27,499)
Beginning Balance, Restated	1,532,992
Ending Balance	$ (403,276)

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

Statements of Activities - Component Units

For The Year Ended June 30,	Component Units 2015
	(In thousands)
CHANGE IN UNRESTRICTED NET ASSETS	
REVENUES	
Grants, Bequests and Gifts	$ 1,027
Interest and Dividends	8
Investment Income, Net	498
Net Assets Released From Restrictions	5,598
Donor Requested Transfers	(7)
Other Revenues	193
Total Revenues	7,317
EXPENSES	
University Support	5,685
General and Administrative	1,446
Fundraising	694
Other Expenses	29
Total Expenses	7,854
Decrease In Unrestricted Net Assets	(537)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
REVENUES	
Grants, Bequests and Gifts	3,184
Interest and Dividends	416
Investment Income, Net	111
Donor Requested Transfers	(2)
Other Revenues	946
Net Assets Released From Restrictions	(5,598)
Decrease In Temporarity Restricted Net Assets	(943)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	
REVENUES	
Grants, Bequests and Gifts	1,377
Investment Income, Net	(80)
Change in Value of Life Income Agreements	(148)
Donor Requested Transfers	9
Increase In Permanently Restricted Net Assets	1,158
SPECIAL AND EXTRAORDINARY ITEMS	
Special Item - Change in Entity	(1,572,278)
Decrease In Total Net Assets After Special/Extraordinary Items	(1,572,600)
Beginning Balance	1,649,138
Ending Balance	76,538

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

For the Year Ended June 30,	2015
	(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 96,981
Grants and Contracts	24,616
Educational Department Sales and Services	3,799
Auxiliary Enterprises Operations	43,553
Payments to Employees for Compensation and Benefits	(193,637)
Payments to Suppliers	(77,539)
Student Financial Aid	(25,888)
Other Operating Receipts	(22,825)
Net Cash Used by Operating Activities	(150,940)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Government Appropriations	75,169
Grants	40,390
Changes Due to Other Nonoperating Items	8,224
Net Agency Fund Receipts	9,871
Cash Transfer due to Change in Entity	(495,586)
Net Cash Used by Noncapital Financing Activities	(361,932)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt Service Appropriations	34,661
Capital Grants and Gifts	2,115
Bond Proceeds from Capital Debt	350,074
Sales of and Adjustments to Capital Assets	44
Purchases of Capital Assets	(27,606)
Interest Payments on Capital Debt	(39,590)
Principal Payments on Capital Debt	(319,616)
Net Cash Provided by Capital and Related Financing Activities	82
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Sales (Purchases) of Investments	(18,229)
Income on Investments and Cash Balances	8,978
Net Cash Used by Investing Activities	(9,251)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(522,041)
CASH AND CASH EQUIVALENTS	
Beginning Balance	634,152
Ending Balance	$ 112,111

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

For the Year Ended June 30,		2015
		(In thousands)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		**(112,941)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		**18,692**
Changes in Assets and Liabilities:		
Accounts Receivable		**(29,802)**
Notes Receivable		**(741)**
Inventories		**342**
Prepaid Expenses		**(4,557)**
Accounts Payable and Accrued Liabilities		**(3,429)**
Long-Term Liabilities		**(602)**
Unearned Revenue		**1,119**
Pension Expense Changes Realated to Net Pension Liability		**(19,021)**
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(150,940)**
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts in Kind	$	91
Increase in Fair Value of Investments Recognized as a Component of Investment Activity		2,059

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

The OUS financial reporting entity is reported under the heading of University System on the Basic Financial Statements and includes the accounts of Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Southern Oregon University (SOU), Western Oregon University (WOU), and the Chancellor's Office. The OUS reporting entity also includes four university foundations which are reported as discretely presented component units (DPCU) in the OUS Financial Statements. Organizations that are not financially accountable to OUS universities, such as booster and alumni organizations, are not included in the reporting entity.

Senate Bill (SB) 270 was passed by the Oregon Legislature during fiscal year 2013 and providing pathways for EOU, OIT, SOU and WOU to become independent public bodies, legally separate from OUS with their own governing boards. The Board unconditionally endorsed both OIT and WOU to become separate legal entities with independent governing boards effective July 1, 2015. The Board conditionally endorsed EOU and SOU to become separate legal entities with independent governing boards effective July 1, 2015 subject to mutually agreed upon conditions endorsed by the Governor. Effective July 1, 2015, each public university will be a stand-alone legal entity. Each university will continue to be included as a discretely presented component unit in the Comprehensive Annual Financial Report issued by the State. The Oregon University System ceased operations on June 30, 2015.

For fiscal year 2015, OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

B. Financial Statement Presentation

OUS financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, provides a comprehensive, entity-wide perspective of OUS assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows.

Financial statements of the OUS discretely presented component units are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

In preparing the financial statements, significant interfund transactions and balances between universities have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Newly Implemented Accounting Standards

OUS 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, OUS 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, OUS restated beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by ($27,499) and reduced Pension Expense by $19,021 resulting in a change in Unrestricted Net Position of $8,478. Ending Net Pension Asset as of June 30, 2015 is $15,062.

OUS 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 OUS financial statements.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

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

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. OUS policy is to capitalize equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. OUS 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.

OUS capitalizes interest expense on projects exceeding $20 million that are partially or fully funded by XI-F(1) debt or internally generated funds. For the fiscal year ended 2015, OUS capitalized $75 of 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 revenue will be earned in subsequent fiscal year(s).

I. Compensated Absences

OUS accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. This liability is included in Long-Term Liabilities in the Statement of Net Position (See Note 8. Long-Term Liabilities). 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 Related Items

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. OUS is included in the proportionate share for all state agencies. The OUS 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*" section in Note 13 on page 31.

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.

L. Net Position

OUS'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 – nonexpendable endowments

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

Restricted – expendable

Restricted expendable includes resources which OUS 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 OUS the authority to use the interest, income, dividends, or profits of endowments. Current Board policy is to annually distribute, for spending purposes, 4.0 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. For the year ended June 30, 2015, the net amount of appreciation available for authorization for expenditure was $385.

Nonexpendable Endowments on the Statement of Net Position of $2,366 at June 30, 2015, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments.

N. Income Taxes

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

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

O. Revenues and Expenses

OUS 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, OUS receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, and nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. 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 paid. OUS has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by OUS, amounted to $11,328 for the fiscal year ended 2015. 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 were estimated to be $22,670 for the fiscal year ended 2015. Bad debt expense is included as an allowance to operating revenues and is estimated to be $2,674 for the fiscal year ended 2015.

Q. Federal Student Loan Programs

OUS universities receive proceeds from the Federal Direct Student Loan Program. Since OUS 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 OUS students but not reported in operations were $97,967 for the fiscal year ended 2015.

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 cumulative effect of applying GASB Nos. 68 and 71 is reported as a restatement of beginning net position as of July 1, 2014 as follows:

	July 1, 2014
Beginning Net Position	$ 1,560,491
Less Beginning Net Pension Liability	(33,910)
Plus Beginning Deferred Outflows	6,411
Total Change in Accounting Principle	(27,499)
Restated Beginning Net Position	$ 1,532,992

2. Cash and Investments

Substantially all of the OUS current cash and investments were held in custody with the Oregon State Treasury (State Treasury) during fiscal year 2015. These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds of the OUS universities 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, currently Oregon State University. OUS is a participant in the PUF cash and investment pools along with other public universities from the state of Oregon. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

In general, deposits and investment securities as described below have exposure 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 investment risk exposures, see note 2.B 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. NE, Suite 100, Salem, OR 97301-3896 or at **http://www.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx.**

A. Cash and Cash Equivalents

Deposits with State Treasury

OUS maintains the majority of its current cash balances on deposit with the State Treasury. These deposits are held, on a pooled basis, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state and related agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal year ended June 30, 2015, OUS cash and cash equivalents on deposit at State Treasury totaled $47,033.

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

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2015 current portion includes $6,685 held for payroll liabilities and undistributed student loans and $2,130 held for debt service payments. The noncurrent portion includes $174 held for OUS student groups and campus organizations and $7,418 held for debt service payments.

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, deposits will not be returned to a depositor. OUS cash balances held on deposit at the State Treasury are invested continuously, therefore 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, 2015, OUS had vault and petty cash balances of $120 and cash held by Trustee related to capital construction bonds and debt service payments in the amount of $64,960. Cash held by Trustee is included in noncurrent cash in the Statement of Net Position.

B. Investments

The OUS operating funds and a portion of the endowments are invested in PUF. Additionally, a portion of the OUS endowment assets are separately invested through the State Treasury and a portion are invested by individual investment managers. The PUF investment policy is governed by the OIC and the Oregon State University Board and approved by the OUS Board. All investments 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. At June 30, 2015, of the total $75,876 in investments, $3,788 is restricted endowments, which includes both true and quasi endowments. Quasi endowments have temporary rather than permanent donor restrictions.

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 OUS's 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.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2015, OUS had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

Of the total investments at June 30, 2015, $44,757 was invested in an intermediate-term fixed income pool managed by State Treasury, $27,522 was invested in a long-term fixed income pool, and $3,597 was separately invested endowments.

Investments of the OUS discretely presented component units are summarized at June 30, 2015 as follows:

Component Units

Fair Value at June 30,	2015
Investment Type:	
Corporate Stocks, Bonds, Securities and Mutual Funds	$ 64,581
Investment in Common Stock, Voting Trust and Partnerships	1,816
Money Market Funds and Certificates of Deposit	1,648
Remainder Trusts, Unitrusts and Gift Annuities	2,279
Alternative Investments	1,455
Cash Value of Life Insurance Policies	145
Total Investments	$ 71,924

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. As of June 30, 2015, approximately 35.8 percent of investments in the PUF are subject to credit risk reporting. Additionally, approximately 11.3 percent of the individually invested endowments 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 $99,945. Fixed income securities which have not been evaluated by the rating agencies totaled $11,163. The PUF totaled $307,454 at June 30, 2015 of which OUS owned $75,876 or 23.5 percent. Indivdually invested endowments held by OUS totaled $3,788.

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

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

Concentration of Credit Risk

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The PUF policy for reducing this risk in fixed income securities is that, with exception of U.S. Government and Agency issues, no more than 10.0 percent of the bond portfolio, at market value, is to be invested in securities of a single issuer or no more than 5.0 percent of the individual issue. For all other types of fixed income investments, not more than 5.0 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 amount of any OUS investments were primarily invested in international debt and international equities at June 30, 2015.

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. At June 30, 2015, securities in the PUF Investment Pool held subject to interest rate risk totaling $110,017 had an average duration of 3.38 years. In addition, securities of the individually invested endowments held subject to interest rate risk totaling $380 had an average duration of 4.30 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 the OUS and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2015. Amounts reported on OUS'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 cash. Borrowers were required to deliver 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 OUS securities on loan in the OSTF. At June 30, 2015, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker-dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name. The TCDs, comprising approximately one percent of total OSTF investments, are exposed to custodial credit risk. The TCDs are collateralized by securities pledged by the bank equal to 25 percent of the Certificates of Participation provided by the bank.

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

The State Treasurer and borrowers 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 component units, comprised the following:

	June 30, 2015
Student Tuition and Fees	$ 25,540
Other	43,469
Federal Grants and Contracts	3,273
Auxiliary Enterprises and Other Operating Activit	4,451
State, Other Government, and Private Gifts, Grants and Contracts	1,076
Component Units	222
	78,031
Less: Allowance for Doubtful Accounts	(18,058)
Accounts Receivable, Net	$ 59,973

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. 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.

Legacy Debt represents the receivable from OSU, PSU, and UO for debt issuances that are payable to the State of Oregon through OUS for debt that was issued prior to the three institutions becoming independent. Notes Receivable comprised the following:

	June 30, 2015		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 1,452	$ 1,969	$ 3,421
Federal Student Loans	1,999	8,761	10,760
Amounts Due from OHSU for Indebtedness (See Note 8.H)	2,085	37,132	39,217
Receivable for Construction Reimbursements	-	13,700	13,700
Legacy Debt	47,162	1,054,374	1,101,536
	52,698	1,115,936	1,168,634
Less: Allowance for Doubtful Accounts	(433)	(897)	(1,330)
Notes Receivable, Net	$ 52,265	$ 1,115,039	$ 1,167,304

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

5. Capital Assets

The following schedule reflects the changes in capital assets:

	Balance at June 30, 2014*	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance at June 30, 2015
Capital Assets,					
Non-depreciable/Non-amortizable:					
Land	$ 14,902	$ -	$ -	$ -	$ 14,902
Capitalized Collections	3,238	70	-	(1)	3,307
Construction in Progress	10,682	23,636	(11,373)	78	23,023
Total Capital Assets,	-				
Non-depreciable/Non-amortizable	28,822	23,706	(11,373)	77	41,232
Capital Assets, Depreciable/					
Amortizable:					
Equipment	39,669	3,075	30	(3,090)	39,684
Library Materials	39,551	724	-	(363)	39,912
Buildings	493,715	61	1,719	(72)	495,423
Land Improvements	10,802	38	123	-	10,963
Improvements Other Than Buildings	3,454	-	70	-	3,524
Infrastructure	21,405	-	9,431	-	30,836
Intangible Assets	12,896	-	-	(5,095)	7,801
Total Capital Assets,					
Depreciable/Amortizable	621,492	3,898	11,373	(8,620)	628,143
Less Accumulated Depreciation/					
Amortization for:					
Equipment	(31,958)	(2,375)	-	2,932	(31,401)
Library Materials	(34,888)	(1,069)	-	293	(35,664)
Buildings	(187,969)	(13,130)	-	-	(201,099)
Land Improvements	(7,001)	(408)	3	-	(7,406)
Improvements Other Than Buildings	(1,902)	(257)	(3)	-	(2,162)
Infrastructure	(13,389)	(940)	-	-	(14,329)
Intangible Assets	(11,361)	(513)	-	4,534	(7,340)
Total Accumulated Depreciation/					
Amortization	(288,468)	(18,692)	-	7,759	(299,401)
Total Capital Assets, Net	$ 361,846	$ 8,912	$ -	$ (784)	$ 369,974
Capital Assets Summary					
Capital Assets, Non-depreciable/					
Non-amortizable	$ 28,822	$ 23,706	$ (11,373)	$ 77	$ 41,232
Capital Assets, Depreciable/					
Amortizable	621,492	3,898	11,373	(8,620)	628,143
Total Cost of Capital Assets	650,314	27,604	-	(8,543)	669,375
Less Accumulated Depreciation/					
Amortization	(288,468)	(18,692)	-	7,759	(299,401)
Total Capital Assets, Net	$ 361,846	$ 8,912	$ -	$ (784)	$ 369,974

*Balance at June 30, 2014 does not include balances for independent universities; OSU - $890,467, PSU - $463,164, UO - $1,240,807

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

6. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2015
Services and Supplies	$ 12,192
Accrued Interest	11,724
Salaries and Wages	9,456
Payroll Related Expenses	5
Contract Retainage Payable	681
Matured Bonds, COPs and Interest Payable	-
Other	41
Total	$ 34,099

7. Operating Leases

A. Receivables/Revenues

OUS receives rent income for land, property and equipment that is leased to non-State entities. Rental income received from leases was $1,167 for the year ended June 30, 2015. The original cost of assets leased, net of depreciation, was $9,205 for the year ended June 30, 2015. Minimum future lease revenue for noncancelable operating leases at June 30, 2015 were:

For the year ending June 30,	
2016	$ 853
2017	448
2018	435
2019	551
2020	737
2021-2025	4,241
2026-2030	7,120
2031-2035	10,256
2036-2040	11,992
2041-2045	4,151
2046-2050	4
Total Minimum Operating Lease Revenues	$ 40,788

B. Payables/Expenses

OUS leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $1,162 for the year ended June 30, 2015. Minimum future lease payments on operating leases at June 30, 2015 were:

For the year ending June 30,	
2016	$ 1,011
2017	663
2018	515
2019	267
2020	386
Total Minimum Operating Lease Payments	$ 2,842

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

8. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance June 30, 2014*	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
General Obligation Bonds XI-F(1)	$ 1,342,662	$ 99,407	$ (125,749)	$ 1,316,320	$ 54,537	$ 1,261,783
General Obligation Bonds XI-G	399,362	100,114	(105,163)	394,313	16,898	377,415
General Obligation Bonds XI-Q	43,085	89,712	(2,985)	129,812	5,657	124,155
Oregon Department of Energy Loans (SELP)	18,492	-	(985)	17,507	946	16,561
Certificates of Participation (COPs)	77,663	-	(28,602)	49,061	4,993	44,068
Lottery Bonds	213,973	75,916	(74,460)	215,429	8,807	206,622
Capital Leases	42	-	(29)	13	7	6
Arbitrage	3	-	(3)	-	-	-
Installment Purchase	355	-	(117)	238	95	143
Total Long-Term Debt	2,095,637	365,149	(338,093)	2,122,693	91,940	2,030,753
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	13,509	-	(589)	12,920	520	12,400
Compensated Absences	6,049	5,053	(5,100)	6,002	4,697	1,305
Other Postemployment Benefits	3,533	197	-	3,730	-	3,730
Early Retirement Liability	751	-	(163)	588	218	370
Total Other Noncurrent Liabilities	23,842	5,250	(5,852)	23,240	5,435	17,805
Total Long-Term Liabilities	$ 2,119,479	$ 370,399	$ (343,945)	$ 2,145,933	$ 97,375	$ 2,048,558

*Balance at June 30, 2014 does not include balances for independent universites for liabilities other than bonds and COPS's; OSU - $87,248, PSU - $73,902, UO - $113,724

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

	General Obligation Bonds										
For the Year Ending June 30,	XI-F(1)	XI-G	XI-Q	SELP	COPs	Lottery Bonds	Capital Leases	Other Borrowings	Total Payments	Principal	Interest
2016	$ 104,853	$ 30,061	$ 10,090	$ 1,773	$ 7,128	$ 15,235	$ 9	$ 95	$ 169,244	$ 74,635	$ 94,609
2017	104,623	30,371	9,594	1,628	6,943	16,653	4	95	169,911	75,602	94,309
2018	102,611	30,354	9,516	1,571	6,568	16,511	1	28	167,160	77,482	89,678
2019	101,870	29,345	9,515	1,538	5,665	15,411	-	20	163,364	79,166	84,198
2020	98,130	29,070	9,527	1,539	5,303	16,132	-	-	159,701	78,196	81,505
2021-2025	460,256	140,323	53,899	7,694	12,222	91,653	-	-	766,047	434,071	331,976
2026-2030	416,752	124,451	35,519	7,635	18,171	72,636	-	-	675,164	452,561	222,603
2031-2035	332,055	82,620	24,198	1,956	8,326	30,257	-	-	479,412	357,835	121,577
2036-2040	230,162	51,881	9,142	-	-	-	-	-	291,185	246,635	44,550
2041-2045	59,317	7,323	-	-	-	-	-	-	66,640	61,115	5,525
2046-2050	774	-	-	-	-	-	-	-	774	755	19
Accreted Interest										34,876	(34,876)
										$ 1,972,929	$ 1,135,673
Total Future Debt Service	**2,011,403**	**555,799**	**171,000**	**25,334**	**70,326**	**274,488**	**14**	**238**	**3,108,602**		
Less: Interest Component of Future Payments	(767,798)	(190,548)	(59,759)	(7,827)	(22,633)	(87,107)	(1)	-	(1,135,673)		
Principal Portion of Future Payments	**1,243,605**	**365,251**	**111,241**	**17,507**	**47,693**	**187,381**	**13**	**238**	**1,972,929**		
Adjusted by:											
Unamortized Bond Premiums	72,715	29,062	18,571	-	1,368	28,048	-	-	149,764		
Total Long-Term Debt	**$ 1,316,320**	**$ 394,313**	**$ 129,812**	**$ 17,507**	**$ 49,061**	**$ 215,429**	**$ 13**	**$ 238**	**$ 2,122,693**		

A. General Obligation Bonds XI-F(1)

The Oregon Constitution authorizes OUS to issue Article XI-F(1) State of Oregon General Obligation Bonds. Article XI-F(1) bond issuances are used to finance construction. OUS policy requires the establishment and maintenance of sinking funds and those funds are included in Cash and Cash Equivalents. See "I. Defeased Debt" in this note for information relating to debt issued to refund existing debt.

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.00 percent, are due serially through 2046.

During the fiscal year ended June 30, 2015, OUS issued bonded indebtedness as follows:

- $15,205 of Series 2015 B XI-F(1) Tax Exempt bonds with an effective rate of 4.68 percent due serially through 2039, for refunding.
- $12,660 of Series 2015 M XI-F(1) Tax Exempt bonds with an effective rate of 3.83 percent due serially through 2046, for capital construction.

B. General Obligation Bonds XI-G

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

XI-G bonds, with effective yields ranging from 0.24 percent to 7.00 percent, are due serially through 2044.

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

- $81,965 of Series 2015 A XI-G Tax Exempt bonds with an effective rate of 4.80 percent due serially through 2038, for refunding.
- $1,195 of Series 2015 O XI-G Tax Exempt bonds with an effective rate of 2.12 percent due serially through 2026, for capital construction.

C. General Obligation Bonds XI-Q

The Oregon Constitution authorizes issuance of Article XI-Q State of Oregon General Obligation Bonds. Article XI-Q bond issuances are issued to finance certain equipment, computer software purchases and construction projects. OUS makes payments (principal and interest) to a trustee in accordance with an interagency agreement. The trustee, in turn, makes the debt service payments to XI-Q bondholders.

XI-Q bonds, with effective yields ranging from 0.19 percent to 4.40 percent, are due serially through fiscal year 2039.

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

- $49,965 of 2015 F XI-Q Tax Exempt bonds with an effective rate of 1.91 percent due serially through 2039, for capital construction.
- $5,000 of 2015 G XI-Q Taxable bonds with an effective rate of 2.42 percent due serially through 2025, for capital construction.
- $7,618 of 2015 H XI-Q Tax Exempt bonds with an effective rate of 4.83 percent due serially through 2027, for refunding.

D. Oregon Department of Energy Loans

OUS has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at OUS institutions. OUS makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 3.20 percent to 5.80 percent, are due through 2033.

E. Certificates of Participation

Certificates of Participation (COPs) were issued to finance certain equipment, computer software purchases and construction projects. OUS makes payments (principal and interest) to a trustee in accordance with the interagency agreement. The trustee, in turn, makes the debt service payments to COPs holders. COPs, with effective yields ranging from 2.69 percent to 5.00 percent, are due through fiscal year 2035.

The State has not issued COPs on behalf of OUS since fiscal year 2010.

F. Lottery Bonds

Lottery Bonds are special obligations of the State, secured and payable from net revenues of the Oregon State Lottery. Lottery Bonds are issued pursuant to ORS Chapters 286A.560 to 286A.585 and 348.716, and under the authority of ORS Chapter 903. 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 on OUS's behalf Lottery Bonds as follows:

- $3,033 of Series 2014 B Taxable and Tax Exempt bonds, with an effective rate of 5.00 percent due serially through 2027, for refunding.
- $49,382 of Series 2015 C Tax Exempt bonds with an effective rate of 4.73 due serially through 2028, for refunding.

G. Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. There was no arbitrage rebate liability remaining as of June 30, 2015.

H. Debt Related to Oregon Health & Science University

Prior to 1996, Oregon Health & Science University (OHSU) was part of OUS. Pursuant to an act of the 1995 Oregon Legislature, OHSU became an independent public corporation. Consequently, OHSU is no longer included in the OUS financial statements.

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

During fiscal year 2011, OUS entered into a joint construction project with OHSU. Part of the bonds issued by OUS to fund the construction will be repaid by OHSU.

A note receivable from OHSU has been recorded for OUS debt that was incurred for the benefit of OHSU (See Note 4). At June 30, 2015, long-term debt of OUS that relates to OHSU was $39,216.

I. Defeased Debt

From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease previously issued debt.

During the year ended June 30, 2015, the State issued on behalf of OUS $69,220 in XI-F(1) Bonds with an average interest rate of 4.68 percent to refund $74,385 in XI-F(1) Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were $82,738 (after payment of $466 in underwriting costs and bond premium of $13,984).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $6,526. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $9,512 and resulted in an economic gain of $7,505.

During the year ended June 30, 2015, the State issued on behalf of OUS $81,965 in XI-G Bonds with an average interest rate of 4.80 percent to refund $89,195 in XI-G Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were $99,689 (after payment of $527 in underwriting costs and bond premium of $18,251).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $9,624. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $11,744 and resulted in an economic gain of $9,113.

During the year ended June 30, 2015, the State issued on behalf of OUS $20,848 in XI-Q Bonds with an average interest rate of 5.00 percent to refund $22,095 in COPs with an average interest rate of 4.83 percent. The net proceeds of the bonds were $25,380 (after payment of $111 in underwriting costs and bond premium of $4,643).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $2,385. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $1,924 and resulted in an economic gain of $1,666.

During the year ended June 30, 2015, the State issued on behalf of OUS $62,743 in Lottery Bonds with an average interest rate of 4.86 percent to refund $67,749 in Lottery Bonds with an average interest rate of 4.78 percent. The net proceeds of the bonds were $75,679 (after payment of $266 in underwriting costs, $29 cash on hand in reserve account, and bond premium of $13,173).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $6,002. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by $5,642 and resulted in an economic gain of $5,297.

In prior years, OUS and OHSU defeased various bond issuances 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 as of June 30, 2015 was $492,378; none of which was related to OHSU.

J. Financial Guarantees

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

K. Capital Leases

OUS has acquired assets under capital lease agreements. The cost of OUS assets held under capital leases totaled $43 as of June 30, 2015. Accumulated depreciation of leased equipment totaled $19 for June 30, 2015.

The lease purchase (capital lease) contracts run through fiscal year 2018. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 6.00 percent to 13.35 percent with a weighted average interest rate of 9.60 percent.

L. 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 $902 for June 30, 2015. Principal payments of $520 were applied to the liability for June 30, 2015. A prior period adjustment of $(69) was applied to the OUS SLGRP liability by the State.

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

M. Early Retirement Liability

OIT offered an early retirement incentive program to faculty and staff with the acceptance window closing October 31, 2011. Seven employees accepted the offer to receive fixed health benefit subsidies until age 65, and a $237 liability will be paid out through fiscal year 2021.

EOU offered a tenure relinquishment plan that closed November 30, 2011. Faculty that accepted the plan retired by December 31, 2012 and are receiving a fixed subsidy amount for health benefits covering the term until the faculty member turns 65. Seven faculty members continue to receive payments under this plan and a $114 liability will be paid out through fiscal year 2019.

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee's retirement date. As of June 30, 2015, seven retirees are participating in the health and benefits option of this plan and a $237 liability will be paid out through fiscal year 2020.

Early retirement liabilities comprised $218 in Current Portion of Long-Term Liabilities and $370 in Long-Term Liabilities as of June 30, 2015. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate ranging from 0.93 to 6.00 percent.

9. Change in Entity

SB 270 was passed by the Oregon Legislature during fiscal year 2013 and established a pathway for the seven Oregon University System (OUS) member universities to become legally separate entities. See Note 1.A for further information on this organizational change. As of July 2014, Oregon State University, Portland State University, and the University of Oregon, became legally separate from OUS. Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University each became separate entities as of July 1, 2015. As a state agency of the State of Oregon, some assets were held centrally by OUS. These assets were distributed to the seven former member universities 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. The institutions still have responsibility to repay XI-F debt and portions of XI-Q debt identified as institution paid debt. Also see Note 8 Long-Term Liabilities.

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

		June 30, 2015
Eastern Oregon University		
Cash Distributions From the CO	$	4,466
Principal & Interest Payments on Debt Paid by the CO		619
Total		5,085
Oregon Institute of Technology (OT)		
Cash Distributions From the CO		2,463
Principal & Interest Payments on Debt Paid by the CO		587
CO Debt Associated With OT Assets		(70)
Total		2,980
Southern Oregon University		
Cash Distributions From the CO		9,796
Accounts Receivable for Litigation		102
Principal & Interest Payments on Debt Paid by the CO		1,346
Total		11,244
Western Oregon University		
Cash Distributions From the CO		4,803
Principal & Interest Payments on Debt Paid by the CO		1,087
Endowments transferred to WOU Foundation		(80)
Total		5,810
Transfers from CO to remaining OUS institutions		
Eastern Oregon University		(5,085)
Oregon Institute of Technology		(2,980)
Southern Oregon University		(11,244)
Western Oregon University		(5,890)
Total		(25,199)
Changes due to Oregon State University, Portland State University, and University of Oregon leaving OUS		
Cash transferred from Chancellor's Office to OSU, PSU, UO		(11,341)
P&I payment on debt paid by Chancellor's Office for OSU, PSU, UO		(8,448)
Removal of AR from Chancellor's Office associated with State Paid Debt		(504,026)
Removal of Oregon State University as entity of OUS		(471,692)
Removal of Portland State University as entity of OUS		(166,159)
Removal of University of Oregon as entity of OUS		(775,432)
Total		(1,937,097)
Transfers to Outside Entities		
Grant Funds to ORTOP Corp.		(40)
Transfer of Equipment & Prepaid Rent to HECC		(411)
Endowments to External Foundations		(4,373)
Total		(4,824)
Other Changes		
Closeout of the Risk Pool		265
Closeout of OUS Internal Bank to the Public University Fund (PUF)		(6,442)
Removal of XI-F Accreted Interest - UO, OSU, PSU		(17,604)
Lottery Appropriations Received for Payment of Lottery Debt - UO, OSU, PSU		1,305
Changes associated with OHSU Debt		8,387
Total		(14,089)
Total Change in Entity	$	(1,956,089)

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

10. Investment Activity

Investment Activity detail is as follows:

	June 30, 2015
Investment Earnings	$ 9,725
Net Appreciation of Investments	2,059
Interest Income	310
Endowment Income	307
Gain (Loss) on Sale of Investment	46
Royalties and Tech Transfer	7
Other	(23)
	$ 12,431

11. Operating Expenses by Natural Classification

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

	June 30, 2015
Compensation and Benefits	$ 176,920
Services and Supplies	66,735
Scholarships and Fellowships	25,886
Depreciation and Amortization	18,692
Other Expenses	256
	$ 288,489

12. Government Appropriations

Government appropriations comprised the following:

	June 30, 2015		
	General Operation	Debt Service	Total
General Fund	$ 73,274	$ 34,683	$ 107,957
Lottery Funding	1,895	7,096	8,991
Total State Appropriations	$ 75,169	$ 41,779	$ 116,948

13. Employee Retirement Plans

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

A. Defined Benefit Retirement Program

OUS implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* for the reporting period ending June 30, 2015. Beginning balance as of July 1, 2015 for Net Pension Liability and Deferred Outflows of Resources are presented on the Statement of Revenues, Expenses and Changes in Net Position as a Change in Accounting Principle. See Note 1 Q for more information on the Change in Accounting Principle presentation.

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 the University 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 year 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 the market value of equity investments.

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). Under current law, the cap on the COLAs 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: 1.50 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 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 COLAs 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 year ended June 30, 2015 was 9.86 percent. The employer contribution rate for OPSRP for the year ended June 30, 2015 was 8.14 percent.

Employer required contributions to PERS and OPSRP for the year ended June 30, 2015 were $6,675, including amounts to fund employer specific liabilities.

A 10 year schedule of Defined Benefit 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**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: At June 30, 2015, the OUS reported a net pension asset of $15,062 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 OUS a proportionate share as a separate employer; OUS is a portion of employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services calculated OUS'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, OUS's proportion was 0.66 percent of the statewide pension plan and 2.80 percent of employer state agencies.

For the year ended June 30, 2015, the OUS recognized pension expense of $13,768. At June 30, 2015, the OUS 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	-	29,063
Changes in proportion and differences between System's contributions and proportionate share of contributions	269	-
Total	$ 269	$ 29,063
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		$ (28,794)
Contributions Subsequent to the MD	$ 5,253	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		$ (23,541)

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

Of the amount reported as deferred outflows of resources, $5,253 are related to pensions resulting from OUS contributions subsequent to the measurement date 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	(7,207)
2017	(7,207)
2018	(7,207)
2019	(7,207)
2020	34

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 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 proportion.
- 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 COLAs to 1.50 percent of annual benefit.

SB 861, signed into law in October 2013, limited the post-retirement COLAs 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 Nos. 67 and 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, 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 had 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-SLGRP 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 GASBs Statements Nos. 67 and 68.

Tier 1/Tier 2 Unfunded Actuarial Liability (UAL) Amortization: In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier 1/Tier 2 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.

Allocation of Liability for Service Segments: For purposes of allocating Tier 1/Tier 2 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 1/Tier 2 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.

<u>*Changes in Economic Assumptions:*</u>

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

<u>*Changes in Demographic Assumptions:*</u>

Healthy Mortality: The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback 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.

<u>*Changes in Salary Increase Assumptions*</u>

Retiree Healthcare Participation: The Retirement 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.

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

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 1/Tier 2 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 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

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, 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.

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

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

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.

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 the OUS's proportional share of the net pension asset to changes in the discount rate. The following presents the OUS's proportionate share of the net pension asset calculated using the discount rate of 7.75 percent, as well as what the university'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:

	OUS's proportionate share of the net pension asset
1 % Decrease -6.75%	$31,896
Current Discount Rate -7.75%	(15,062)
1 % Increase -8.75%	(54,778)

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 6.70 percent. Payroll assessments for the fiscal year ended June 30, 2015 were $4,927.

B. DEFINED CONTRIBUTION RETIREMENT PLANS

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the 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 named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to OUS 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 403b investment plan. The employer contribution is fixed at 8.00 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403b deferrals up to a 4.00 percent maximum.

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

Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6.00 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

	2015
ORP Tier One	**16.50%**
ORP Tier Two	**16.50%**
OPSRP Equivalent	**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 $4,800. 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.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

WOU participates in an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the WOU university president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2015, the plan was fully funded.

SUMMARY OF DEFINED CONTRIBUTION PENSION PAYMENTS

OUS total payroll for the year ended June 30, 2015 was $130,782, of which $35,091 was subject to retirement contributions. The following schedule lists pension payments made by OUS for the fiscal year:

	June 30, 2015			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 3,865	11.02%	$ 2,114	6.02%
TIAA-CREF	19	0.05%	19	0.05%
SRP	35	0.10%	-	0.00%
	$ 3,919	11.17%	$ 2,133	6.08%

OUS paid 100 percent of ORP and TIAA-CREF employee share during the fiscal year ended June 30, 2015.

14. Other Postemployment Benefits (OPEB)

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

The PEBB plan allows OUS employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by OUS for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone. The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to OUS's share, estimated at 4.18 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. OUS's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2015, OUS paid healthcare insurance premiums of $32,573. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $255 for the fiscal year ended 2015.

Annual OPEB Cost and Net OPEB Obligation. OUS's annual OPEB expense is calculated based on OUS's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

	June 30, 2015
Annual Required Contribution	$ 557
Interest on Net OPEB Obligation	115
Adjustment to Annual Required Contribution	(220)
Annual OPEB Cost	452
Contributions Made	(255)
Increase in Net OPEB Obligation	197
Net OPEB Obligation - Beginning of Year	3,533
Net OPEB Obligation - End of Year	$ 3,730

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

The OUS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation for the fiscal years ended 2015, 2014, and 2013 were as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	**$ 452**	**12%**	**$ 3,730**
2014	464	13%	3,533
2013	686	23%	2,984

Funding Status and Funding Progress. The funded status of the OUS OPEB plan for June 30, 2015 was as follows:

	June 30, 2015
Actuarial Accrued Liabilities	$ 4,387
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	$ 4,387
Funded Ratio	0.00%
Covered Payroll (active plan members)	$ 109,736
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	4.00%

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 OUS and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions for the year ended June 30, 2015 were as follows:

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 OUS is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2015, was $4,565.

16. Risk Financing

OUS 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, OUS 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 OUS, 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.

The universities retain 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.

OUS is charged an assessment to cover the Trust's cost of servicing claims and payments based on the 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 totaled approximately $72,987 at June 30, 2015. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OUS funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2015.

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

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. OUS reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OUS cannot be reasonably determined at June 30, 2015.

Construction Commitments as of June 30, 2015

Campus/Project Description	Total Commitment	Completed to Date	Outstanding Commitmen
Eastern Oregon University:			
Campus Wide IT Wiring	$ 1,989	$ 502	$ 1,487
Capital Repair	1,361	109	1,252
Oregon Institute of Technology:			
Utility Tunnel Repair	707	129	578
Southern Oregon University:			
Capital Repair	2,337	27	2,310
McNeal Hall Deferred Maintenance	21,300	159	21,141
Medford Instructional Facility	2,554	2,501	53
Science Building Deferred Maintence	21,000	16,435	4,565
Student Recreation Center	6,300	3,179	3,121
Theatre Building Remodel	11,000	179	10,821
Western Oregon University:			
Capital Repair	2,717	732	1,985
Oregon Military Purchase	4,975	25	4,950
Student Health Center Deferred Maintenance	2,000	23	1,977
Woodcock Education Center	18,606	1,371	17,235
Projects with <$500 thousand remaining to be spent	9,312	9,072	240
Project Budgets <$1 million	3,187	1,915	1,272
	$ 109,345	$ 36,358	$ 72,987

18. Subsequent Events

Oregon University System Structure Changes

The Oregon University System ceased operations on June 30, 2015. Effective July 1, 2015 EOU, OT, SOU and WOU became independent legal entities, each governed by a Board of Trustees of the university. See Note 1 for additional information about this change in legal status.

Removal of State Paid Debt

As a result of EOU, OT, SOU, and WOU becoming component units of the state rather than part of an enterprise fund of the State for financial reporting, beginning with the fiscal year ended June 30, 2016, all state paid debt recorded by the universities as a long-term liability will be removed from the universities' and recorded by the State of Oregon as the owner of the debt. State paid debt includes 100 percent of XI-G and Lottery bonds and a portion of COPs and XI-Q bonds.

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 COLAs 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 COLAs 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 million.

June 30, 2014 Measurement Date

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

OUS's proportionate share of the statewide pension plan at MD	0.66448969%
OUS net pension (asset) prior to Moro (full dollars)	$ (15,062,085)
Estimated fund net pension liability at MD after Moro (full dollars)	$ 17,608,976

19. University Foundations

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

The financial activity is reported for the year ended June 30, 2015, except for Eastern Oregon University Foundation reporting for December 31, 2014.

During the year ended June 30, 2015, gifts of $4,356 were transferred from university foundations to OUS universities. All of the OUS affiliated foundations are audited annually and received unmodified audit opinions.

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

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

- Eastern Oregon University Foundation, One University Blvd., La Grande, OR 97850-2807
- Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR 97601-8801
- Southern Oregon University Foundation, 1250 Siskiyou Boulevard, Ashland, OR 97520-5043
- Western Oregon University Development Foundation, 345 North Monmouth Avenue, Monmouth, OR 97361

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

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2015

	Eastern Oregon University Foundation *	Oregon Tech Foundation	Southern Oregon University Foundation	Western Oregon University Development Foundation	Total Component Units
ASSETS					
Cash and Cash Equivalents	$ 1,749	$ 284	$ 830	$ 486	$ 3,349
Contributions, Pledges and Grants Receivable, Net	164	182	106	420	872
Investments	9,147	23,275	25,934	13,568	71,924
Prepaid Expenses and Other Assets	489	432	36	152	1,109
Property and Equipment, Net	1,095	205	1,972	175	3,447
Total Assets	**$ 12,644**	**$ 24,378**	**$ 28,878**	**$ 14,801**	**$ 80,701**
LIABILITIES					
Accounts Payable and Accrued Liabilities	$ 5	$ 24	$ 15	$ 28	$ 72
Accounts Payable to Universities	-	249	674	-	923
Obligations to Beneficiaries of Split-Interest Agreements	-	345	512	1,097	1,954
Deposits and Unearned Revenue	-	-	210	-	210
Long-Term Liabilities	-	1,004	-	-	1,004
Total Liabilities	**$ 5**	**$ 1,622**	**$ 1,411**	**$ 1,125**	**$ 4,163**
NET ASSETS					
Unrestricted Surplus (Deficit)	$ 1,120	$ 8,894	$ 1,279	$ 1,109	$ 12,402
Temporarily Restricted	4,700	5,286	6,682	4,618	21,286
Permanently Restricted	6,819	8,576	19,506	7,949	42,850
Total Net Assets	**$ 12,639**	**$ 22,756**	**$ 27,467**	**$ 13,676**	**$ 76,538**

* As of December 31, 2014

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

Component Units

Combining Financial Statements

Statements of Activities

As of June 30, 2015

	Eastern Oregon University Foundation *	Oregon Tech Foundation	Southern Oregon University Foundation
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 141	$ 146	$ 673
Interest and Dividends	-	-	-
Investment Income (Loss), Net	(8)	307	209
Net Assets Released From Restrictions	410	700	2,442
Donor Requested Transfers	(7)	-	-
Other Revenues	144	19	11
Total Revenues	**680**	**1,172**	**3,335**
EXPENSES			
University Support	470	909	2,447
General and Administrative	101	707	438
Fundraising	134	24	525
Other Expenses	-	27	2
Total Expenses	**705**	**1,667**	**3,412**
Increase (Decrease) In Unrestricted Net Assets	**(25)**	**(495)**	**(77)**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	117	767	1,407
Interest and Dividends	-	-	-
Investment Income, Net	197	(6)	103
Change in Value of Life Income Agreements	-	-	-
Donor Requested Transfers	(2)	-	-
Other Revenues	71	22	614
Net Assets Released From Restrictions	(410)	(700)	(2,442)
Increase (Decrease) In Temporarily Restricted Net Assets	**(27)**	**83**	**(318)**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	220	381	322
Investment Income, Net	22	-	-
Change in Value of Life Income Agreements	-	(98)	(50)
Donor Requested Transfers	9	-	-
Other Revenues	-	-	-
Net Assets Released From Restrictions	-	-	-
Increase In Permanently Restricted Net Assets	**251**	**283**	**272**
SPECIAL AND EXTRAORDINARY ITEMS			
Special Item - Change in Entity	-	-	-
Increase (Decrease) In Total Net Assets After Special /Extraordinary Item	**199**	**(129)**	**(123)**
Beginning Balance	**12,440**	**22,885**	**27,590**
Ending Balance	**$ 12,639**	**$ 22,756**	**$ 27,467**

* As of December 31, 2014

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

Western Oregon University Development Foundation	Oregon State University Foundation	Portland State University Foundation	University of Oregon Foundation	Total Component Units
$ 67	$ -	$ -	$ -	$ 1,027
8	-	-	-	8
(10)	-	-	-	498
2,046	-	-	-	5,598
-	-	-	-	(7)
19	-	-	-	193
2,130	**-**	**-**	**-**	**7,317**
1,859	-	-	-	5,685
200	-	-	-	1,446
11	-	-	-	694
-	-	-	-	29
2,070	**-**	**-**	**-**	**7,854**
60	**-**	**-**	**-**	**(537)**
893	-	-	-	3,184
416	-	-	-	416
(183)	-	-	-	111
-	-	-	-	-
-	-	-	-	(2)
239	-	-	-	946
(2,046)	-	-	-	(5,598)
(681)	**-**	**-**	**-**	**(943)**
454	-	-	-	1,377
(102)	-	-	-	(80)
-	-	-	-	(148)
-	-	-	-	9
-	-	-	-	-
-	-	-	-	-
352	**-**	**-**	**-**	**1,158**
-	(640,856)	(81,950)	(849,472)	(1,572,278)
(269)	**(640,856)**	**(81,950)**	**(849,472)**	**(1,572,600)**
13,945	**640,856**	**81,950**	**849,472**	**1,649,138**
$ 13,676	**$ -**	**$ -**	**$ -**	**$ 76,538**

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Net Position

As of June 30, 2015	Eastern Oregon University	Oregon Institute of Technology	Southern Oregon University
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 3,318	$ 6,400	$ 7,133
Collateral from Securities Lending	762	1,189	1,695
Accounts Receivable, Net	5,010	5,057	5,698
Notes Receivable, Net	286	205	986
Inventories	193	129	28
Prepaid Expenses	122	1,515	316
Total Current Assets	9,691	14,495	15,856
Noncurrent Assets			
Cash and Cash Equivalents	4,598	6,320	42,351
Investments	10,515	14,292	20,751
Notes Receivable, Net	1,073	2,344	17,154
Net Pension Asset	2,475	2,133	4,707
Capital Assets, Net of Accumulated Depreciation	76,608	95,257	96,864
Total Noncurrent Assets	95,269	120,346	181,827
TOTAL ASSETS	**$ 104,960**	**$ 134,841**	**$ 197,683**
DEFERRED OUTFLOWS OF RESOURCES	**$ 2,835**	**$ 3,475**	**$ 3,434**
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 2,704	$ 4,128	$ 9,064
Deposits	1,359	1,118	3,186
Obligations Under Securities Lending	762	1,189	1,695
Current Portion of Long-Term Liabilities	4,971	5,526	7,227
Unearned Revenue	1,835	3,667	3,771
Total Current Liabilities	11,631	15,628	24,943
Noncurrent Liabilities			
Long-Term Liabilities	74,917	92,208	140,309
Total Noncurrent Liabilities	74,917	92,208	140,309
TOTAL LIABILITIES	**$ 86,548**	**$ 107,836**	**$ 165,252**
DEFERRED INFLOWS OF RESOURCES	**$ 4,775**	**$ 4,116**	**$ 9,082**
NET POSITION			
Net Investment in Capital Assets	$ 5,141	$ 10,858	$ 12,173
Restricted For:			
Nonexpendable Endowments	554	-	1,812
Expendable:			
Gifts, Grants, and Contracts	1,166	662	1,595
Student Loans	1,877	3,202	3,180
Capital Projects	573	1,248	3,544
Debt Service	1,597	1,677	2,825
Unrestricted	5,564	8,717	1,654
TOTAL NET POSITION	**$ 16,472**	**$ 26,364**	**$ 26,783**

Supplementary Schedules (dollars in thousands)

Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
$ 13,428	$ 3,314	$ -	$ 33,593
2,446	50	-	6,142
5,832	38,376	-	59,973
1,541	49,247	-	52,265
1,186	-	-	1,536
280	2,962	-	5,195
24,713	93,949	-	158,704
25,217	32	-	78,518
29,413	905	-	75,876
2,962	1,493,373	(401,867)	1,115,039
4,952	795	-	15,062
101,245	-	-	369,974
163,789	1,495,105	(401,867)	1,654,469
$ 188,502	**$ 1,589,054**	**$ (401,867)**	**$ 1,813,173**
$ 4,800	**$ 37,558**	**$ -**	**$ 52,102**
$ 7,498	$ 10,705	$ -	$ 34,099
2,932	32,746	-	41,341
2,446	50	-	6,142
8,432	71,219	-	97,375
2,700	-	-	11,973
24,008	114,720	-	190,930
122,337	2,020,654	(401,867)	2,048,558
122,337	2,020,654	(401,867)	2,048,558
$ 146,345	**$ 2,135,374**	**$ (401,867)**	**$ 2,239,488**
$ 9,556	**$ 1,534**	**$ -**	**$ 29,063**
$ 3,845	$ -	$ -	$ 32,017
-	-	-	2,366
414	-	-	3,837
6,837	-	-	15,096
2,388	133	-	7,886
3,184	62,499	-	71,782
20,733	(572,928)	-	(536,260)
$ 37,401	**$ (510,296)**	**$ -**	**$ (403,276)**

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Revenues, Expenses, and Changes in Net Position

For The Year Ended June 30, 2015	Eastern Oregon University	Oregon Institute of Technology	Southern Oregon University
OPERATING REVENUES			
Student Tuition and Fees, Net	$ 15,545	$ 21,933	$ 28,043
Federal Grants and Contracts	1,721	675	1,488
State and Local Grants and Contracts	2,746	1,306	748
Nongovernmental Grants and Contracts	136	704	3,821
Educational Department Sales and Services	283	320	2,457
Auxiliary Enterprises Revenues, Net	5,561	7,805	10,765
Other Operating Revenues	52	283	1,019
Total Operating Revenues	**26,044**	**33,026**	**48,341**
OPERATING EXPENSES			
Instruction	12,250	24,278	25,942
Research	251	574	679
Public Service	1,713	192	2,995
Academic Support	7,200	5,233	5,683
Student Services	2,320	3,800	4,448
Auxiliary Programs	7,205	9,546	14,675
Institutional Support	5,869	6,244	7,582
Operation and Maintenance of Plant	3,233	3,047	3,979
Student Aid	4,368	4,792	7,522
Other Operating Expenses	4,701	3,673	4,384
Total Operating Expenses	**49,110**	**61,379**	**77,889**
Operating Loss	**(23,066)**	**(28,353)**	**(29,548)**
NONOPERATING REVENUES (EXPENSES)			
Government Appropriations	16,792	20,439	17,332
Grants	7,415	7,015	10,556
Investment Activity	225	372	440
Gain (Loss) on Sale of Assets, Net	(26)	(2)	11
Interest Expense	(3,152)	(3,652)	(4,558)
Other Nonoperating Items	423	2,694	4,227
Net Nonoperating Revenues (Expenses)	**21,677**	**26,866**	**28,008**
Income (Loss) Before Other Nonoperating Revenues	**(1,389)**	**(1,487)**	**(1,540)**
Debt Service Appropriations	3,370	2,421	2,852
Capital Grants and Gifts	36	1,557	96
Transfers within OUS	53	112	749
Total Other Nonoperating Revenues	**3,459**	**4,090**	**3,697**
Increase In Net Position Prior to Special/Extraordinary Items	**2,070**	**2,603**	**2,157**
SPECIAL AND EXTRAORDINARY ITEMS			
Special Item - Change Due to Reorganization	5,085	2,980	11,244
Increase (Decrease) In Net Position After Special/Extraordinary Items	**7,155**	**5,583**	**13,401**
NET POSITION			
Beginning Balance	13,835	24,676	21,976
Change in Accounting Principle	(4,518)	(3,895)	(8,594)
Beginning Balance, Restated	9,317	20,781	13,382
Ending Balance	**$ 16,472**	**$ 26,364**	**$ 26,783**

Supplementary Schedules (dollars in thousands)

Western Oregon University	Chancellor's Office	Oregon State University	Portland State University	University of Oregon	Adjustments and Eliminations	Total OUS
$ 31,237	$ -	$ -	$ -	$ -	$ -	$ 96,758
9,536	483	-	-	-	(27)	13,876
2,203	612	-	-	-	-	7,615
50	-	-	-	-	-	4,711
686	53	-	-	-	-	3,799
19,318	-	-	-	-	(5)	43,444
2,189	1,802	-	-	-	-	5,345
65,219	**2,950**	**-**	**-**	**-**	**(32)**	**175,548**
34,191	155	-	-	-	(27)	96,789
1,766	663	-	-	-	-	3,933
313	1,063	-	-	-	-	6,276
8,350	1	-	-	-	(5)	26,462
5,798	-	-	-	-	-	16,366
21,637	-	-	-	-	-	53,063
4,567	6,580	-	-	-	-	30,842
4,012	-	-	-	-	-	14,271
6,689	6	-	-	-	-	23,377
4,010	342	-	-	-	-	17,110
91,333	**8,810**	**-**	**-**	**-**	**(32)**	**288,489**
(26,114)	**(5,860)**	**-**	**-**	**-**	**-**	**(112,941)**
17,790	2,816	-	-	-	-	75,169
14,421	-	-	-	-	-	39,407
557	10,837	-	-	-	-	12,431
128	(457)	-	-	-	-	(346)
(4,577)	(30,169)	-	-	-	-	(46,108)
1,021	(141)	-	-	-	-	8,224
29,340	**(17,114)**	**-**	**-**	**-**	**-**	**88,777**
3,226	**(22,974)**	**-**	**-**	**-**	**-**	**(24,164)**
3,028	30,108	-	-	-	-	41,779
500	17	-	-	-	-	2,206
37	(951)	-	-	-	-	-
3,565	**29,174**	**-**	**-**	**-**	**-**	**43,985**
6,791	**6,200**	**-**	**-**	**-**	**-**	**19,821**
5,810	(567,925)	(471,692)	(166,159)	(775,432)	-	(1,956,089)
12,601	**(561,725)**	**(471,692)**	**(166,159)**	**(775,432)**	**-**	**(1,936,268)**
33,841	52,880	471,692	166,159	775,432	-	**1,560,491**
(9,041)	(1,451)	-	-	-	-	**(27,499)**
24,800	51,429	471,692	166,159	775,432	-	1,532,992
$ 37,401	**$ (510,296)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (403,276)**

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2015	Eastern Oregon University	Oregon Institute of Technology	Southern Oregon University
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	$ 15,032	$ 22,614	$ 27,878
Grants and Contracts	2,877	2,555	6,082
Educational Department Sales and Services	283	320	2,457
Auxiliary Enterprise Operations	5,657	7,950	10,762
Payments to Employees for Compensation and Benefits	(31,322)	(40,780)	(53,078)
Payments to Suppliers	(11,453)	(14,910)	(14,988)
Student Financial Aid	(4,864)	(4,674)	(7,394)
Other Operating Receipts (Payments)	1,837	522	2,304
Net Cash Used by Operating Activities	**(21,953)**	**(26,403)**	**(25,977)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government Appropriations	16,792	20,439	17,332
Grants	7,415	7,998	10,556
Changes Due to Other Nonoperating Items	423	2,694	4,227
Net Agency Fund Receipts	972	902	144
Net Transfers from (to) Other Funds and OUS Universities	53	112	749
Cash Transfers Due to Change in Entity	4,466	2,463	9,797
Net Cash Provided (Used) by Noncapital Financing Activities	**30,121**	**34,608**	**42,805**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt Service Appropriations	2,561	1,575	1,909
Capital Grants and Gifts	33	1,557	8
Bond Proceeds from Capital Debt	9,153	23,439	45,482
Sales of and Adjustments to Capital Assets	40	69	(61)
Purchases of Capital Assets	(1,492)	(3,138)	(18,576)
Interest Payments on Capital Debt	(3,159)	(3,642)	(4,271)
Principal Payments on Capital Debt	(8,186)	(20,663)	(13,404)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(1,050)**	**(803)**	**11,087**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Sales (Purchases) of Investments	(6,509)	(8,390)	(12,078)
Income on Investments and Cash Balances	165	75	167
Net Cash Provided (Used) by Investing Activities	**(6,344)**	**(8,315)**	**(11,911)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**774**	**(913)**	**16,004**
CASH AND CASH EQUIVALENTS			
Beginning Balance	7,142	13,633	33,480
Ending Balance	**$ 7,916**	**$ 12,720**	**$ 49,484**

Supplementary Schedules (dollars in thousands)

Western Oregon University	Chancellor's Office	Oregon State University	Portland State University	University of Oregon	Adjustments and Eliminations	Total OUS
$ 31,457	$ -	$ -	$ -	$ -	$ -	$ 96,981
11,419	1,290	-	-	-	393	24,616
686	53	-	-	-	-	3,799
19,122	67	-	-	-	(5)	43,553
(64,135)	(4,322)	-	-	-	-	(193,637)
(18,239)	(17,561)	-	-	-	(388)	(77,539)
(8,408)	(548)	-	-	-	-	(25,888)
3,161	(30,649)	-	-	-	-	(22,825)
(24,937)	**(51,670)**	**-**	**-**	**-**	**-**	**(150,940)**
17,790	2,816	-	-	-	-	75,169
14,421	-	-	-	-	-	40,390
1,021	(141)	-	-	-	-	8,224
1,677	6,176	-	-	-	-	9,871
37	(951)	-	-	-	-	-
4,803	(30,700)	(149,059)	(68,779)	(268,577)	-	(495,586)
39,749	**(22,800)**	**(149,059)**	**(68,779)**	**(268,577)**	**-**	**(361,932)**
2,683	25,933	-	-	-	-	34,661
500	17	-	-	-	-	2,115
44,453	227,547	-	-	-	-	350,074
255	(259)	-	-	-	-	44
(4,400)	-	-	-	-	-	(27,606)
(4,450)	(24,068)	-	-	-	-	(39,590)
(24,351)	(253,012)	-	-	-	-	(319,616)
14,690	**(23,842)**	**-**	**-**	**-**	**-**	**82**
(17,708)	26,456	-	-	-	-	(18,229)
34	8,537	-	-	-	-	8,978
(17,674)	**34,993**	**-**	**-**	**-**	**-**	**(9,251)**
11,828	**(63,319)**	**(149,059)**	**(68,779)**	**(268,577)**	**-**	**(522,041)**
26,817	66,665	149,059	68,779	268,577	-	**634,152**
$ 38,645	**$ 3,346**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 112,111**

Supplementary Schedules (dollars in thousands)

Consolidating Statement of Cash Flows - Continued

For the Year Ended June 30, 2015	Eastern Oregon University	Oregon Institute of Technology
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$ (23,066)**	**$ (28,353)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	3,945	4,561
Changes in Assets and Liabilities:		
Accounts Receivable	(587)	514
Notes Receivable	28	289
Inventories	378	(44)
Prepaid Expenses	(116)	(1,121)
Accounts Payable and Accrued Liabilities	572	438
Long-Term Liabilities	(171)	(31)
Unearned Revenue	201	132
Pension Expense Related to Net Pension Liability	(3,137)	(2,788)
NET CASH USED BY OPERATING ACTIVITIES	**$ (21,953)**	**$ (26,403)**
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts in Kind	$ 3	$ -
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	60	297

Supplementary Schedules (dollars in thousands)

Southern Oregon University	Western Oregon University	Chancellor's Office	Adjustments and Eliminations	Total OUS
$ (29,548)	**$ (26,114)**	**$ (5,860)**	**$ -**	**$ (112,941)**
4,161	5,778	247	-	18,692
1,571	889	(32,189)	-	(29,802)
(823)	(235)	-	-	(741)
114	(106)	-	-	342
(222)	(161)	(2,517)	(420)	(4,557)
4,297	1,434	(10,170)	-	(3,429)
(31)	(22)	(347)	-	(602)
394	(28)	-	420	1,119
(5,890)	(6,372)	(834)	-	(19,021)
$ (25,977)	**$ (24,937)**	**$ (51,670)**	**$ -**	**$ (150,940)**
$ 88	$ -	$ -	$ -	$ 91
273	523	905	-	2,058

Required Supplementary Information (dollars in thousands)

Schedule of Oregon University System Contributions*

Public Employees Retirement System

For Fiscal Years Ended June 30,	2015	2014	2013	2012
Contractually Required Contribution	$ 5,253	$ 5,475	$ 5,228	$ 5,065
Contributions in Relation to the Contractually Required Contribution	5,253	5,475	5,228	5,065
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
OUS's Covered-Employee Payroll	$ 74,645	$ 74,517	$ 73,009	$ 71,352
Contributions as a percentage of covered-employee payroll	7.0%	7.3%	7.2%	7.1%

Schedule of Oregon University System's Proportionate Share of the Net Pension Asset*

Public Employees Retirement System

	2015
System's proportion of the net pension asset	0.66%
System's proportionate share of the net pension asset	$ 15,062
System's covered-employee payroll	$ 74,645
System's proportionate share of the net pension asset as a percentage of its covered-employee payroll	20.18%
Plan fiduciary net postion as a percentage of the total pension asset	109.40%

*These tables should contain 10 years worth of data, however only the data shown above is available at this time.

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)
6/30/2011	$ -	$ 7,431	$ 7,431	0.0%	$ 104,330	7.1%
6/30/2012	-	7,073	7,073	0.0%	105,591	6.7%
6/30/2013	-	7,176	7,176	0.0%	109,646	6.5%
6/30/2014	-	4,671	4,671	0.0%	111,205	4.2%
6/30/2015	-	4,387	4,387	0.0%	109,736	4.0%

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

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Oregon University System