Oregon State University

2015 Annual Financial Report

Oregon State University
2015 Annual Report

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Executive Officers (as of June 30, 2015)

Edward J. Ray
President

Sabah Randhawa
Provost/Executive Vice President

Glenn Ford
Vice President for Finance and Administration/CFO

Ron Adams
Interim Vice President for Research

Steve Clark
Vice President for University Relations and Marketing

Becky Johnson
Vice President for OSU - Cascades

Kathy Bickel
Vice President for Alumni Relations

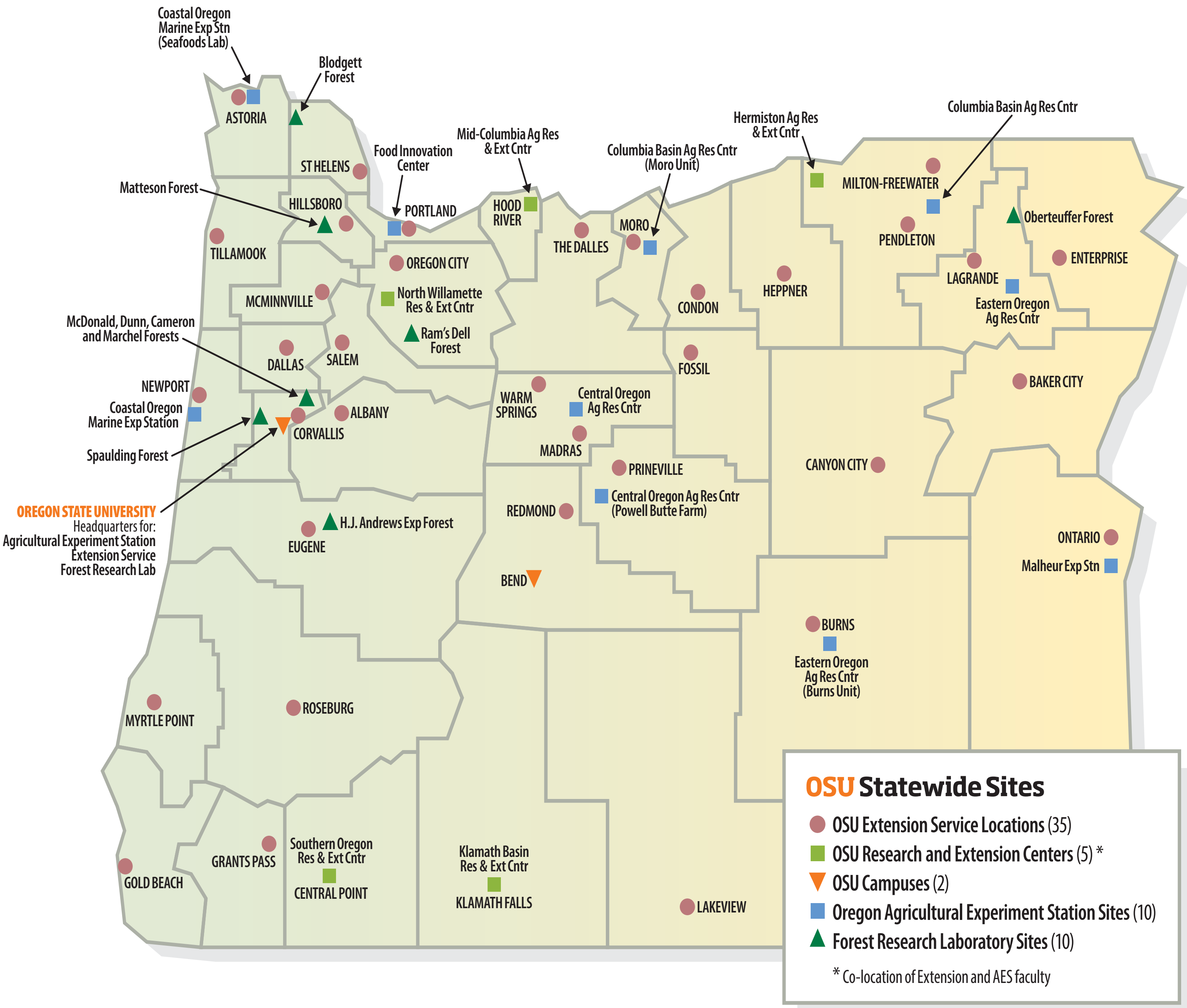
Becky Warner
Senior Vice Provost for Academic Affairs

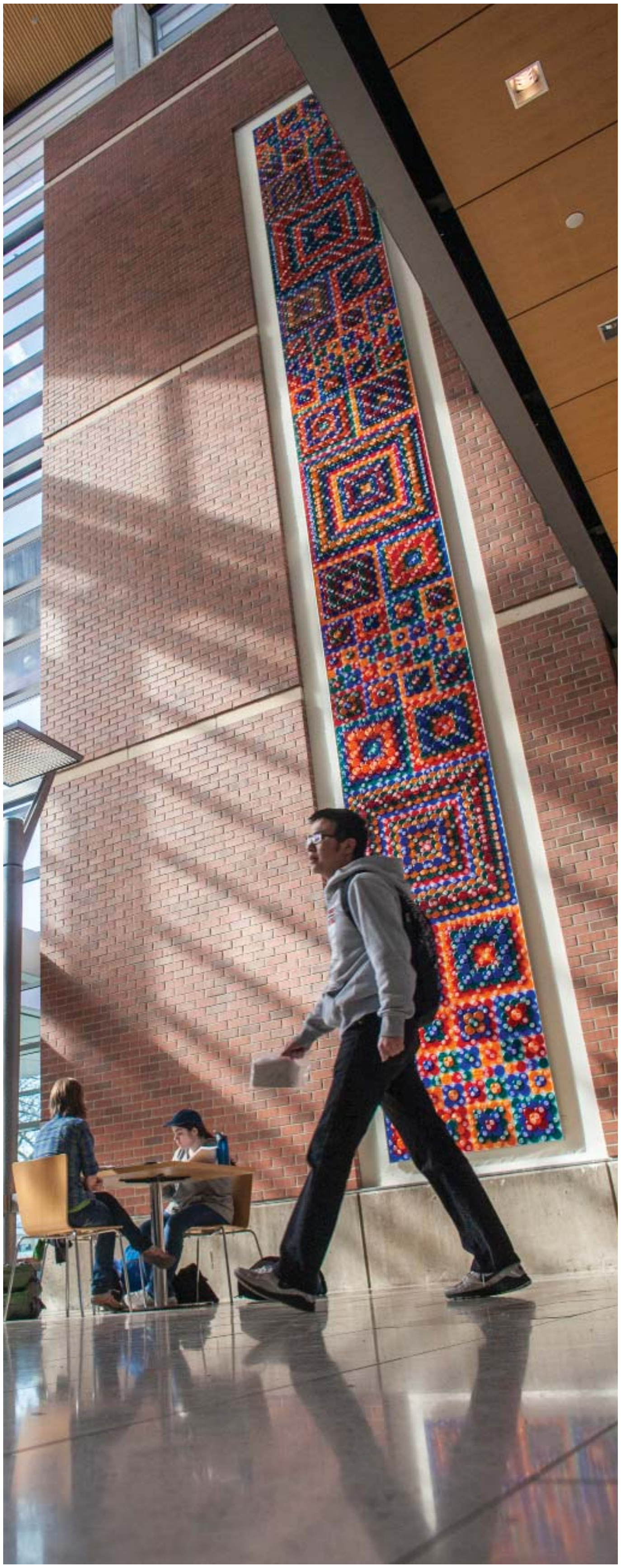
Rebecca Gose
General Counsel

Patricia Snopkowski
Chief Audit Executive

OREGON'S STATEWIDE UNIVERSITY

Oregon State University is a comprehensive, internationally recognized, public university. OSU serves as the state of Oregon's land-, sea-, space- and sun-grant university and is one of only two universities in the nation with all such designations. Oregon State University programs and faculty are located in every county in Oregon and are dedicated to providing solutions for the state and world's greatest challenges. OSU considers the entire state of Oregon as its campus and works in partnership with many school districts, all of Oregon's 17 community colleges and numerous public and private universities and colleges to provide access to high-quality educational programs. Meanwhile, strong collaborations with industry, state and federal agencies help contribute to the success of the university's research enterprise.





MISSION

As a land grant institution committed to teaching, research, and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world.

This mission is achieved by producing graduates competitive in the global economy, supporting a continuous search for new knowledge and solutions, and maintaining a rigorous focus on academic excellence, particularly in three Signature Areas: Advancing the Science of Sustainable Earth Ecosystems; Improving Human Health and Wellness; and Promoting Economic Growth and Social Progress.

VISION

To best serve its mission, Oregon State University will be among the Top 10 land grant institutions in America and will be recognized as a premier international public research university.

GOALS

Strategic Plan 3.0 expands Oregon State's strategic goals to focus on:

- Success that transforms our learners and our world.
- Leadership that integrates scholarship, creativity and collaboration throughout learning and discovery.
- Expansion of the university's diversity, reach and service across Oregon, throughout the nation and around the world.

View OSU's Strategic Plan at: **http://oregonstate.edu/leadership/strategicplan/**

President Edward J. Ray

I am pleased to report again this year that the financial picture of Oregon State University is very strong thanks to the collective efforts of many.

Oregon State continues to build on its momentum that has propelled the university to new heights during the past decade, and we are confident that this remarkable university community will continue to support OSU in powerful ways.

Oregon State achieved many major accomplishments this past year. The most historic milestone was changing our governance model to an independent university with a Board of Trustees beginning July 1, 2014.

Our Ecampus online bachelor's programs are ranked No. 5 in the country by U.S. News and World Report. The Campaign for OSU closed at the end of December 2014, totaling $1.14 billion in contributions to Oregon State, and greatly exceeded expectations for the university's first comprehensive fundraising campaign.

While accomplishing these milestones, Oregon State University continues to move to the front ranks of internationally recognized comprehensive research land grant universities in America. We have a strong and diverse leadership team, who worked with the university's faculty to complete Oregon State's Strategic Plan 3.0, which is now in its second year of its five-year cycle.

Our enrollment of Oregon residents remains strong, and growth in resident students at Oregon State accounted for nearly all of the growth at Oregon's public universities last year. I have outlined a plan that calls for 28,000 students to be enrolled at our Corvallis campus by 2025; 3,000-5,000 students at our OSU-Cascades campus in Bend; up to 500 students at a proposed Marine Studies Campus in Newport; and up to 7,000 degree-seeking students enrolled at Oregon State entirely online. Four-year degree programs will be offered for the first time at our OSU-Cascades branch campus as we welcome our first class of freshmen in fall 2015. This campus will serve students who want to remain in Central Oregon and attend a four-year college and will also provide out-of-state and international students with an alternative to our Corvallis campus.

Oregon State had many successes in 2015. External research awards reached a record $308.9 million. Our university-industry partnerships produced more than $40 million in research funding last year, an OSU record; and royalty revenues totaled $10 million. Tuition rates and college affordability continue to be a key concern among OSU leadership, students and their families.

The 2015 Oregon Legislature approved $62 million in funding to maintain the tuition buy-down enacted in the 2013 legislative session. This action helps stabilize resident undergraduate tuition at the state's public universities for the 2015-16 academic year. Meanwhile, it is noteworthy that for the third time in four years, Oregon State has been identified as a "best buy" university by the Fiske Guide to Colleges.

OSU's commitment to move to the front ranks of comprehensive land grant universities in America remains a top priority. We intend to climb the quality ladder and to demonstrate that excellence is achieved through diversity. Over the past six years, OSU has attracted more Oregon high school valedictorians and salutatorians than any other university in the state. We continue numerous important programs, including our First-Year Experience initiative, to raise retention rates among all first-time students and attain a higher six-year graduation rate.

OSU and 10 other major public research universities have formed the University Innovation Alliance to significantly raise admission numbers, as well as retention and graduation rates for low-income students, students of color and first-generation students while managing costs and raising the quality of our academic programs.

Thanks in part to our partnership with INTO University Partnerships, international student enrollment last year reached more than 11 percent of Oregon State's total enrollment, up from 4.7 percent in 2007. Founded in 2008, INTO-OSU is an initiative to increase the number of international students attending OSU and to improve the overall level of service that the university provides these students. This is one piece of our strategy to become a leading international public university. We also are working with INTO on programs for the new Bend campus and on approaches to broaden student participation in education abroad opportunities.

With regard to facilities, four new cultural centers are now open on our Corvallis campus. A new Student Experience Center and a new $65 million classroom building have opened on campus. Meanwhile, work is underway on Johnson Hall, a $40 million chemical, biological and environmental engineering building on our Corvallis campus and construction continues on a new academic building at our Bend campus.

Looking ahead, Oregon State will continue to practice sound financial management and work to ensure that cost does not become a barrier to our students' completion of their college degrees.

OSU has served as Oregon's statewide university for 147 years. We will build on the successes of the past decade, moving toward even greater accomplishments for our students and those we serve throughout Oregon, the nation and the world.

Edward J. Ray

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Oregon State University as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the 2015 and 2014 financial statements of the Oregon State University Foundation (the Foundation), which represents 96%, 98% and 91%, respectively, of the assets, net assets, and revenues for 2015, and 96%, 98%, and 95%, respectively, of the assets, net assets and revenues for 2014. Those 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 Foundation, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Oregon State University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1(A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the Oregon University System (the System) as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also discussed in Note 1(A), effective July 1, 2014, the University became an independent public body separate from the System due to the passing of Senate Bill 270. Our opinion is not modified with respect to this matter.

As discussed in Note 1(B), to the financial statements, Oregon State University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pension* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, Oregon State University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1(Q). Fiscal Year 2014 was not restated for this change in accounting principle due to fact information was not available to Oregon State University to restate net position as of July 1, 2013. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 9 - 17, the schedule of Oregon State University contributions and schedule of Oregon State University's proportionate share of the net pension asset on page 52, and the schedule of funding status of Other Post Employment Benefits on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 24, 2015

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Oregon State University (OSU) for the years ended June 30, 2015, 2014 and 2013. OSU is comprised of a main campus in Corvallis and a branch campus in Bend, along with the Hatfield Marine Science Center in Newport, Ecampus, and Extension Service, Agricultural Experiment Stations and Forest Research Laboratories throughout the State.

Annual Full Time Equivalent (FTE) Student Enrollment Summary

	2015	2014	2013	2012	2011
Corvallis	**21,939**	21,844	21,634	21,102	20,359
Cascades	**600**	541	479	474	442
Ecampus	**4,089**	3,684	3,030	2,464	2,168
Total	**26,628**	26,069	25,143	24,040	22,969

Understanding the Financial Statements

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

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

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

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

Statement of Cash Flows (SCF) provides information about OSU's sources and uses of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories (cash provided (used) by: operating activities, noncapital financing activities, capital and related financing activities and investing activities).

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

Component Units, comprised of two supporting foundations, are combined and reported separately in the OSU financial statements and in Note 2 Cash and Investments and Note 21 University Foundations.

The MD&A provides an objective analysis of OSU's financial activities based on currently known facts, decisions, and conditions. The analysis is about OSU as a whole and is not broken out by individual campuses, schools, colleges or divisions. The MD&A discusses the current and prior year results in comparison to the respective year's prior year. Due to rounding and presentation, summary numbers in the MD&A may differ slightly from those in the financial statement schedules. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Statement of Net Position

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

Condensed Statement of Net Position

As of June 30,	2015	2014	2013
Current Assets	**$ 231**	$ 237	$ 186
Noncurrent Assets	**238**	156	204
Capital Assets, Net	**978**	890	789
Total Assets	**$ 1,447**	$ 1,283	$ 1,179
Deferred Outflows of Resources	**$ 25**	$ 11	$ 11
Current Liabilities	**$ 173**	$ 162	$ 126
Noncurrent Liabilities	**482**	660	583
Total Liabilities	**$ 655**	$ 822	$ 709
Deferred Inflows of Resources	**$ 79**	$ -	$ -
Net Investment in Capital Assets	**$ 558**	$ 312	$ 302
Restricted - Nonexpendable	**5**	4	3
Restricted - Expendable	**106**	115	101
Unrestricted	**69**	41	75
Total Net Position	**$ 738**	$ 472	$ 481

Total Assets

Total Assets increased by $164 million, or 13 percent, during the year ended 2015. During 2014, Total Assets increased by $104 million, or 9 percent.

Comparison of fiscal year 2015 to fiscal year 2014

Current Assets decreased by $6 million, or 3 percent.

- Current cash and cash equivalents decreased by $33 million. Investments that had been converted to cash as of June 30, 2014 due to the pending change in university governance effective July 1, 2014 were converted back to investments during fiscal year 2015.
- Accounts receivable increased by $26 million due to a significant increase in receivables at year end for capital construction projects. The reason that accounts receivable related to capital construction increased so significantly is due to a change in the way that state backed bonds (XI-F(1), XI-G and Lottery bonds) are issued and held. Historically, when OSU was a member university of the OUS, bonds were issued by the State Board of Higher Education and the universities received cash up front for construction projects at the time of the bond sale. Now that OSU is an independent legal entity, and no longer a state agency, the State issues the bonds and holds the cash, and OSU requests reimbursement for funds after they are spent.

Noncurrent Assets increased by $82 million, or 53 percent.

- Noncurrent cash and cash equivalents decreased by $18 million, mainly due to a $12 million decrease in cash balances in capital construction funds compared to the prior year, which corresponds to the increase in receivables for construction projects.
- Investments increased by $61 million in part due to the reinvestment of amounts that had been held as current cash at June 30, 2014.
- Noncurrent Notes Receivable decreased by $2 million.
- OSU recorded a $41 million Net Pension Asset as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as of June 30, 2015. See Note 13 Employee Retirement Plans for additional information on this change.

Capital Assets, Net increased by $88 million, or 10 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

Deferred Outflows of Resources increased by $14 million or 127 percent.

- Deferred outflows related to deferred gain/loss on long-term debt bond refunding decreased by $3 million due to the removal of state paid debt. See Note 8 Long-Term Liabilities and Note 18 Change in Entity for additional information on this change.
- OSU recorded $17 million in deferred outflows as a result of the implementation of GASB Statement No. 68 as of June 30, 2015. See Note 13 Employee Retirement Plans for additional information on this change.

Comparison of fiscal year 2014 to fiscal year 2013

Current Assets increased by $51 million, or 27 percent.

- Current cash and cash equivalents increased by $33 million due to the conversion of some investments to cash prior to the university governance change effective July 1, 2014.
- Accounts receivable increased by $18 million. Increases in receivables related to student tuition and housing revenues, athletics revenues and other receivables of $25 million were offset by a decrease in federal grants and contracts receivable of $6 million and an increase in allowances for bad debt of $1 million.

Noncurrent Assets decreased by $48 million, or 24 percent.

- Year-end cash balances in capital construction funds and agency funds for student groups and campus organizations decreased by $18 million compared to the prior year mainly due to decreased cash on hand restricted for capital construction at year end.
- Investments decreased by $29 million due to a change in the OUS investment strategy that resulted from the change in university governance effective July 1, 2014.
- Notes Receivable decreased by $1 million.

Capital Assets, Net increased by $101 million, or 13 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

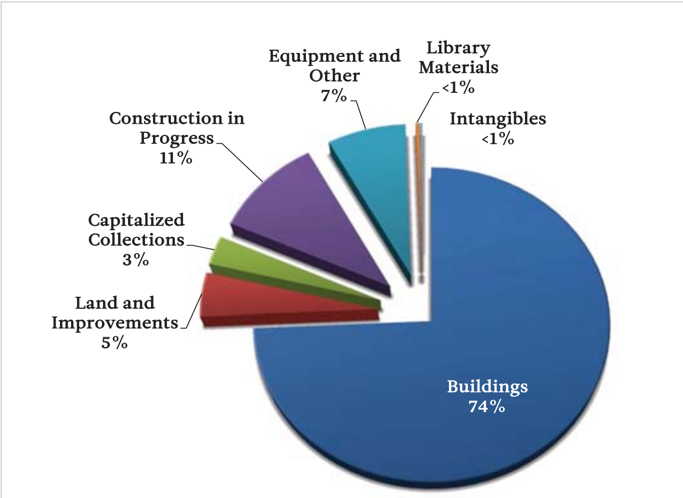
Deferred Outflows of Resources was relatively unchanged.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2015, OSU had $1.7 billion in capital assets, less accumulated depreciation of $695 million, for net capital assets of $978 million. At June 30, 2014, OSU had $1.5 billion in capital assets, less accumulated depreciation of $656 million, for net capital assets of $890 million. During fiscal year 2015, $175 million in construction projects were completed and placed into service. OSU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing OSU's deferred maintenance backlog. State, federal, private, debt, and internal OSU funding were all used to accomplish OSU's capital objectives.

2015 Capital Assets, Net $978 Million



Changes to Capital Assets

(in millions)

	2015	2014	2013
Capital Assets, Beginning of Year	$ 1,546	$ 1,397	$ 1,331
Add: Purchases/Construction	139	155	71
Less: Retirements/Disposals/Adjustments	(12)	(6)	(5)
Total Capital Assets, End of Year	1,673	1,546	1,397
Accum. Depreciation, Beginning of Year	(656)	(608)	(565)
Add: Depreciation Expense	(50)	(50)	(47)
Less: Retirements/Disposals/Adjustments	11	2	4
Total Accum. Depreciation, End of Year	(695)	(656)	(608)
Total Capital Assets, Net, End of Year	$ 978	$ 890	$ 789

Capital additions totaled $139 million for 2015, $155 million for 2014, and $71 million for 2013.

Accumulated depreciation at June 30, 2015 increased by $39 million, which represented $50 million in depreciation and amortization expense offset by $11 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2014 increased by $48 million, which represented $50 million in depreciation and amortization expense offset by $2 million in asset retirements and adjustments.

Capital Commitments

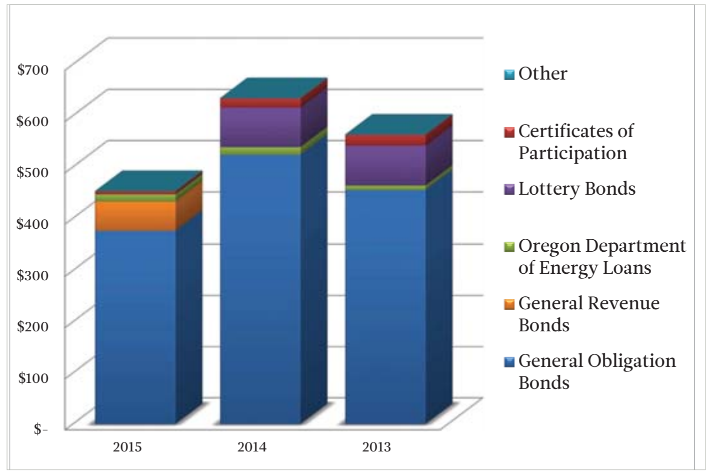
OSU has outstanding capital commitments of $181 million on partially completed and planned but not yet started construction projects as of June 30, 2015. See Note 17 Commitments and Contingent Liabilities for additional information relating to capital construction commitments.

Debt Administration

During 2015 and 2014, the State issued debt on behalf of OSU totaling $19 million and $70 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations. Additionally, during 2015, OSU issued $51 million (par value) in General Revenue bonds with the proceeds earmarked for the construction and acquisition of capital assets. General Obligation Bonds decreased by $225 million during 2015 due to the removal of state paid debt from OSU's long-term liabilities. See Note 8 Long-Term Liabilities and Note 18 Change in Entity for additional information.

Long-term Debt

(in millions)



Total Liabilities

Total Liabilities decreased by $167 million, or 20 percent, during 2015. During 2014, Total Liabilities increased by $113 million, or 16 percent.

Comparison of fiscal year 2015 to fiscal year 2014

Current Liabilities increased by $11 million, or 7 percent.

- Accounts payable and accrued liabilities decreased by $3 million mainly due to decreases in services and supplies payable related to capital construction projects and a decrease in interest payable, which is related to the decrease in debt payable by OSU.
- Unearned revenues increased by $5 million due to increases in summer session and grants and contracts.
- Deposits increased by $14 million due to an increase in the amounts held in agency funds at year end for payroll vendor payments.
- The current portion of long-term liabilities decreased by $5 million as a result of the removal of state paid debt from OSU's long-term liabilities.

Noncurrent Liabilities decreased by $178 million, or 27 percent, primarily due to the removal of $225 million in state paid debt, offset by the addition of $51 million (par value) in General Revenue bonds. See Note 8 Long-Term Liabilities and Note 18 Change in Entity for additional information.

Comparison of fiscal year 2014 to fiscal year 2013

Current Liabilities increased by $36 million, or 29 percent.

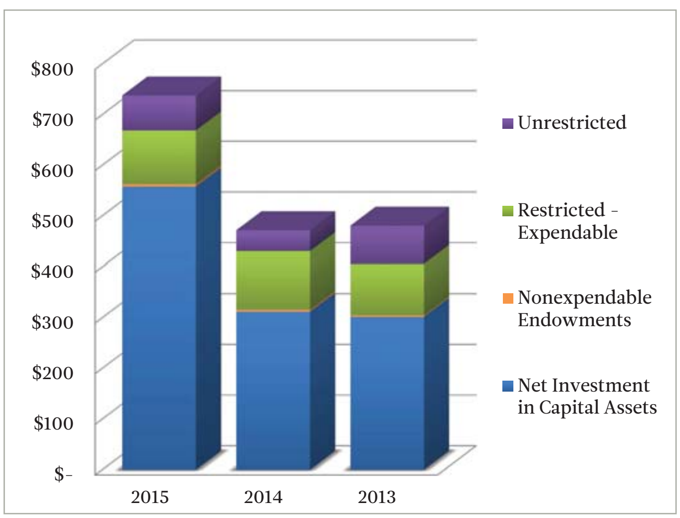
- Accounts payable and accrued liabilities increased by $33 million mainly due to capital construction projects.
- Unearned revenues increased by $2 million.
- Deposits decreased by $4 million due to a decrease in the amounts held in agency funds at year end for payroll vendor payments.
- The current portion of long-term liabilities increased by $5 million.

Noncurrent Liabilities increased by $77 million, or 13 percent, primarily due to debt issued for the construction of capital assets.

Total Net Position

The increase in Total Assets, combined with the decrease in Total Liabilities caused Total Net Position to increase $266 million, or 56 percent, during 2015. Total Net Position decreased by $9 million, or 2 percent, between 2013 and 2014.

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



Comparison of fiscal year 2015 to fiscal year 2014

Net Investment in Capital Assets increased by $246 million, or 79 percent.

- A capital asset increase of $127 million was offset by a $39 million increase to accumulated depreciation. Additionally, there was a net decrease of $158 million in long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Assets decreased by $9 million, or 8 percent.

- Net assets relating to funds reserved for debt service decreased by $9 million primarily due to the removal of state paid debt from the long-term liabilities of OSU.
- Net assets restricted for capital projects decreased by $1 million.

Unrestricted Net Assets increased by $28 million, or 68 percent.

- During 2015, OSU refunded temporary internal construction loans that were made from unrestricted net assets in the prior year, with the sale of $27 million in General Revenue bonds, increasing unrestricted net assets.
- Improved unrestricted operating performance and the release of capital project reserves from governing restrictions increased unrestricted net assets by $12 million each during the year.
- Closing the OUS Chancellor's Office which resulted in the transfer of a portion of OUS net assets to OSU, and the receipt of a new quasi-endowment gift increased unrestricted net assets by $3 million and $2 million, respectively.
- The impact of the implementation of GASB Statement No. 68 on pension expense, and the temporary internal funding of new capital projects decreased unrestricted net assets by $21 million and $7 million, respectively.

Comparison of fiscal year 2014 to fiscal year 2013

Net Investment in Capital Assets increased by $10 million, or 3 percent.

- A capital asset increase of $149 million was offset by a $48 million increase to accumulated depreciation and a $92 million increase to long-term debt outstanding attributable to capital assets.

Restricted Expendable Net Assets increased by $14 million, or 14 percent.

- Net assets relating to funds reserved for debt service increased by $9 million primarily because the OUS issued $70 million in new debt on OSU's behalf, which resulted in a larger amount of debt service in the sinking funds reserve.

- Net assets restricted for capital projects increased by $5 million primarily as a result of an increase in the number of new construction and improvement projects.

Unrestricted Net Assets decreased by $34 million, or 45 percent.

- Current year unrestricted expenses exceeded revenues by $2 million, resulting in a $2 million decrease in unrestricted net assets.
- During 2014, OSU was required to pay off line of credit loans with the OUS Internal Bank of $32 million which were funding construction projects that were in progress. The repayment of these loans resulted in a temporary reduction of unrestricted net assets. Of the $32 million construction project expenses, $27 million were funded by a General Revenue bond sale in May 2015, at which time the unrestricted funds were reimbursed. The remaining $5 million were paid from unrestricted funds and not reimbursed.

Statement of Revenues, Expenses and Changes in Net Position

Due to the classification of certain revenues as nonoperating revenue, OSU shows a loss from operations. State general fund appropriations, nonexchange grants and noncapital gifts, although considered nonoperating revenue under 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*, and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenues and expenses of OSU (in millions):

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2015	2014	2013
Operating Revenues	$ 688	$ 622	$ 587
Operating Expenses	921	911	846
Operating Loss	(233)	(289)	(259)
Nonoperating Revenues, Net of Expenses	271	242	225
Other Revenues, Net of Expenses	78	38	34
Increase (Decrease) in Net Position Prior to Special/Extraordinary Items	116	(9)	-
Special and Extraordinary Items	225	-	-
Increase (Decrease) in Net Position After Special/Extraordinary Items	341	(9)	-
Net Position, Beginning of Year	472	481	481
Change in Accounting Principle	(75)	-	-
Net Position, Beginning of Year, Restated	397	481	481
Net Position, End of Year	$ 738	$ 472	$ 481

Revenues

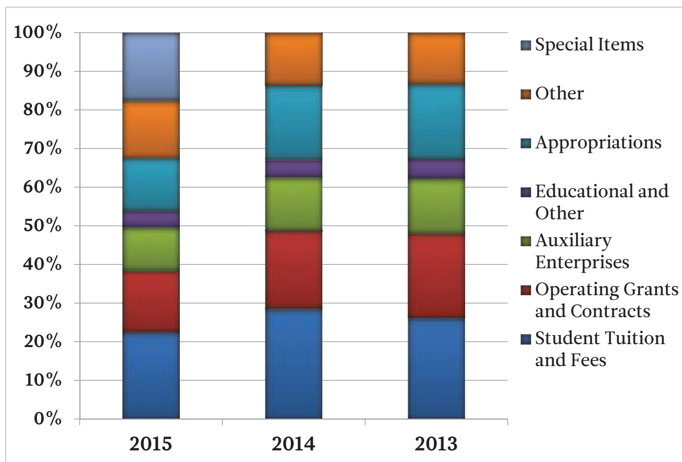
Total revenues before special/extraordinary items increased by $127 million, or 14 percent, in 2015 over 2014. Including special/extraordinary items, total revenues increased by $352 million or 38 percent.

Total Operating, Nonoperating and Other Revenues

(in millions)

For the Year Ended June 30,	2015	2014	2013
Student Tuition and Fees	$ 288	$ 264	$ 228
Grants and Contracts	203	187	192
Auxiliary Enterprises	143	129	124
Educational and Other	54	42	43
Total Operating Revenues	688	622	587
Appropriations	176	178	170
Financial Aid Grants	45	45	43
Investment Activity	15	17	16
Capital Grants and Gifts	78	25	17
Nonoperating and Other Items	52	40	41
Total Nonoperating and Other Revenues	366	305	287
Special/Extraordinary Items	225	-	-
Total Revenues	$ 1,279	$ 927	$ 874

Total Operating, Nonoperating and Other Revenues



Operating Revenues

Operating Revenues increased by $66 million in 2015, or 11 percent over 2014, to $688 million. The increase is due to increased revenue in all categories of operating revenue. Operating revenues increased by $35 million in 2014, or 6 percent over 2013. This change is primarily due to increases in Student Tuition and Fees and Auxiliary Enterprise Revenues.

Comparison of fiscal year 2015 to fiscal year 2014

Student Tuition and Fees increased by $24 million, or 9 percent.

- Higher tuition and fee rates accounted for $19 million of the increase. A portion of the rate increase includes the continued phase-out of the tuition plateau for students taking between 12 and 15 credit hours.
- A 2.1 percent FTE student enrollment increase added $7 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $2 million more than in the prior year.

Federal, State and Nongovernmental Grants and Contracts increased by $16 million, or 9 percent.

- Federal grant and contract revenues increased by $13 million due to increased research and development grants and contracts.
- State grant and contract revenue increased by $3 million or 40 percent.

Auxiliary Enterprise revenues increased by $14 million, or 11 percent.

- Housing and Dining revenues increased by $2 million mainly due to increased rates and usage.
- Athletics revenues increased by $7 million due to increased football bowl revenue share, increased athletic conference TV share and increased sponsorship revenue.
- Student health services increased by $2 million due primarily to increased insurance enrollment.
- Parking services increased by $1 million due to increased parking permit fees.
- Other auxiliaries increased by $2 million due to increased student incidental fees and increased sales and services.

Education and Other increased by $12 million, or 29 percent due to increased sales and services and miscellaneous revenues.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased by $36 million, or 16 percent.

- Higher tuition and fee rates accounted for $20 million of the increase.
- A 4 percent FTE student enrollment increase added $15 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $1 million less than in the prior year.

Federal, State and Nongovernmental Grants and Contracts decreased by $5 million, or 3 percent.

- Federal grant and contract revenues decreased by $8 million due to decreased research and development grants and contracts.
- Nongovernmental grant activity increased by $3 million due mainly to increases in commercial business grants and contracts.

Auxiliary Enterprise revenues increased by $5 million, or 4 percent.

- Housing and Dining revenues increased by $5 million mainly due to increased rates and higher student occupancy.

Education and Other decreased by $1 million, or 2 percent.

Nonoperating and Other Revenues

The increase in Total Nonoperating and Other Revenues of $61 million during 2015 resulted mainly from increases in Capital Grants and Gifts and Nonoperating and Other Items. The increase in Total Nonoperating and Other Revenues of $18 million during 2014 resulted from increases in all of the related categories except Nonoperating and Other Items.

Comparison of fiscal year 2015 to fiscal year 2014

Government Appropriations decreased by $2 million, or 1 percent.

- State appropriations for OSU operations increased by $12 million due to increased funding received from the State.
- Federal and county appropriations in support of the statewide public services increased by $2 million.
- Debt service appropriations decreased by $16 million due to the removal of state paid debt. OSU will no longer receive general fund or lottery funds for the repayment of XI-G, XI-Q, COPs and Lottery debt which is paid by the State. See Note 8 Long-Term Liabilities for additional details on this change.

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

Financial Aid Grants were relatively unchanged.

Investment Activity revenues decreased by $2 million, or 12 percent. See Note 10 Investment Activity for additional information relating to these changes.

Capital Grants and Gifts increased by $53 million, or 212 percent due to increased gift revenue from the OSU Foundation for capital projects.

Nonoperating and Other Items increased by $12 million, or 30 percent.

- Loss on disposal of assets increased by $2 million.
- Other Nonoperating Items increased by $10 million due primarily to increased gift revenues.

Special and Extraordinary Items

Special and Extraordinary Items increased by $225 million due to OSU recording a one-time, special item of $225 million in cash and assets transferred to OSU as a result of the closing of the OUS Chancellor's Office and the change in entity. See Note 18 Change in Entity for additional information.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased by $8 million, or 5 percent.

- State appropriations for OSU operations increased by $10 million due to increased funding received from the State.
- Federal and county appropriations in support of the statewide public services increased by $1 million.
- Debt service appropriations decreased by $3 million due to lower levels of state paid debt service.

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

Financial Aid Grants increased by $2 million, or 5 percent.

Investment Activity revenues increased by $1 million, or 6 percent. See Note 10 Investment Activity for additional information relating to these changes.

Capital Grants and Gifts increased by $8 million, or 47 percent.

- Capital gifts from the OSU Foundation for various capital construction projects increased by $8 million.

Nonoperating and Other Items decreased by $1 million, or 2 percent.

Expenses

Operating Expenses

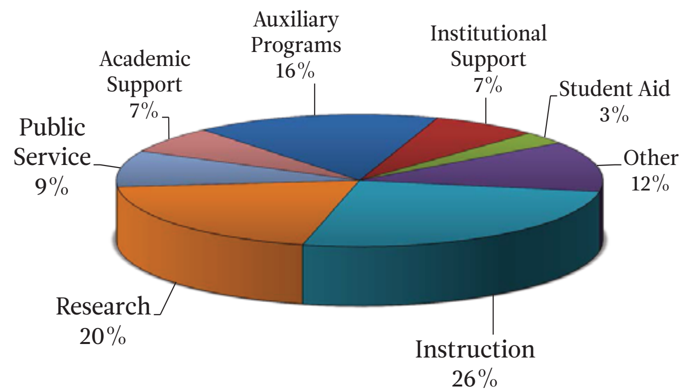
Operating Expenses increased by $10 million in 2015, or 1 percent, over 2014, to $921 million. The 2015 increase resulted from higher expenses in most categories, with the biggest overall increases in auxiliary programs, public service and institutional support. Those increases were offset by decreases in instruction, academic support and student aid. Operating expenses increased by $65 million in 2014, or 8 percent, over 2013 to $911 million. The 2014 increase resulted from higher expenses in most categories, with the biggest overall increases in instruction and auxiliary programs.

The following table and chart summarize operating expenses by functional classification (in millions):

Operating Expenses by Function

For the Year Ended June 30,	**2015**	2014	2013
Instruction	**$ 240**	$ 244	$ 218
Research	**181**	180	179
Public Service	**82**	78	75
Academic Support	**61**	62	56
Auxiliary Programs	**150**	144	130
Institutional Support	**65**	61	57
Student Aid	**29**	31	28
Other	**113**	111	103
Total Operating Expenses	**$ 921**	$ 911	$ 846

2015 Operating Expenses by Function



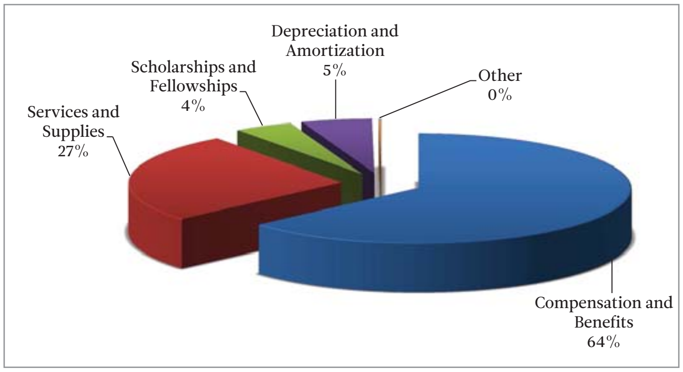
Due to the way in which expenses are incurred by OSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to several of the functional expense caption items.

The following summarizes operating expenses by natural classification (in millions):

Operating Expenses by Nature

For the Year Ended June 30,	**2015**	2014	2013
Compensation and Benefits	**$ 584**	$ 598	$ 554
Services and Supplies	**244**	219	204
Scholarships and Fellowships	**41**	43	40
Depreciation and Amortization	**50**	50	47
Other	**2**	1	1
Total Operating Expenses	**$ 921**	$ 911	$ 846

2015 Operating Expenses by Nature



Comparison of fiscal year 2015 to fiscal year 2014

Compensation and Benefit costs decreased by $14 million, or 2 percent.

- Salary and wage costs increased by $30 million due to additional staff and faculty hires combined with wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Other payroll expenses decreased by $3 million mainly due to a decrease in accrued payroll expense related to terminated employee liabilities recorded in fiscal year 2014. See Note 8 Long-Term Liabilities for additional information on this variance.
- The first year implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, resulted in a net decrease to compensation and benefits of $53 million. See Note 1 Organization and Summary of Significant Accounting Policies and Note 13 Employee Retirement Plans for additional information on this variance.

Services and Supplies expenses increased by $25 million, or 11 percent.

- This increase was experienced across many categories including general supplies, fees and services, rentals and leases, noncapital equipment and furniture and state assessments.

Scholarships and Fellowships costs decreased by $2 million, or 5 percent.

- The decrease corresponds to revenue decreases in federal and state funds, partially offset by increases in private, foundation and institutional student aid.

Depreciation and Amortization expense was relatively unchanged from the prior year. An increase in depreciation expense resulting from recently constructed or refurbished buildings being placed in service was offset by a decrease in depreciation expense resulting from the change in accounting estimate implemented by OSU during fiscal year 2015. See Note 1, Section R Change in Accounting Estimate for additional information on this variance.

Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefit costs increased by $44 million, or 8 percent.

- Salary and wage costs increased by $23 million due to additional staff and faculty hires and wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Fee remissions for graduate students increased by $4 million.
- Other payroll expenses increased by $5 million.

Services and Supplies expenses increased by $15 million, or 7 percent.

- This increase was experienced across many categories including utilities, rentals and leases, fees and services, assessments, and general supplies.

Scholarships and Fellowships costs increased by $3 million, or 8 percent.

- The increase corresponds to revenue increases in federal, state and private funds, partly offset by a decrease in foundation student aid.

Depreciation and Amortization expense increased by $3 million, or 6 percent, primarily due to recently constructed or refurbished buildings being placed in service.

Nonoperating Expenses

Comparison of fiscal year 2015 to fiscal year 2014

Interest Expense decreased by $8 million, or 30 percent due mainly to the university no longer recording interest expense related to state paid debt.

Comparison of fiscal year 2014 to fiscal year 2013

Interest Expense decreased by $2 million, or 6 percent.

Economic Outlook

Funding for the major activities of OSU comes from a variety of sources: tuition and fees; financial aid programs; state, federal and county appropriations; federal, foundation and other grants; private and government contracts; royalties; and donor gifts and investment earnings. Revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and facilities costs.

Public higher education in Oregon continues to face familiar challenges – inadequate state support (despite a welcome boost in funding for 2015-17), pressures to keep education affordable and yet improve degree completions, changing student demographics necessitating more support services, and costs associated with mandated participation in state health and retirement systems. While overall enrollment has grown significantly over the past decade, future growth is expected to be concentrated in Ecampus online enrollments and at the Cascades Campus in Bend. Preliminary data for academic year 2015-16 shows Corvallis Campus holding steady with a 0.3% increase over the prior year, Cascades Campus increasing by 5.1%, and Ecampus increasing by 12.2%. Tuition rates for the 2015-16 academic year incorporated the final phase-out of the undergraduate tuition plateau. This resulted in weighted average increases of 7.6% and 5.7% for undergraduate resident and non-resident students, respectively. In addition to OSU Board of Trustee approval, and in recognition of the one-time nature of the plateau phase-out, the Higher Education Coordinating Commission (HECC) approved the resident rates per its statutory authority to approve increases that exceed 5%. In conjunction with an increase in state funding (discussed below), OSU will use targeted financial aid to mitigate the impact to students most affected by the plateau elimination. It is important to note that OSU resident tuition continues to be less than most peer land-grant universities. There were no increases for differential tuition rates; however, mandatory student fees increased by 7.6%. Graduate and professional program increases ranged from 2% – 5%.

In the research arena, federal opportunities continue an overall decline. However, OSU maintains its strategy to diversify its research portfolio with a focus on core strengths – marine studies; food and water security; sustainable energy and built infrastructure; climate change and adaptation; and health promotion, disease prevention and management. Technology licensing, nonprofit and industry sources all represent opportunities for further research and development expansion as evidenced by record setting research funding achieved in 2015.

Funding for public universities in Oregon over the last few biennia declined to the point that the 2014 State Higher Education Finance Report ranked Oregon 46th in the nation in educational appropriations per student FTE. However, state support improved significantly during the 2015 legislative session as state appropriations for public universities for 2015-17 reflect a 28% increase in General Fund, and a 19% increase in Lottery Funds. This good news is somewhat tempered by the state's most recent economic forecast showing a slow-down in growth in subsequent biennia. While overall funding to the public universities is up for 2015-17, the allocation among the state's seven public universities is changing. The HECC developed a new outcomes-based model to allocate the Public University Support Fund. While it is anticipated OSU will receive approximately 9.6% more in total dollars in fiscal year 2016, its' share of the funding will likely be around 1% less than under the prior model. However, the HECC will continue to review and adjust certain elements of the model. The University will also have an opportunity to grow its share through improvements in the relevant outcomes metrics used in the model.

Oregon's change in higher education governance formally brought the OSU Board of Trustees into being in July 2014. While this structure generally provides increased operating flexibility, public universities are still required to participate in group health insurance, a select set of group retirement plans, and collective bargaining through July 1, 2019. There are two impacts associated with participating in the Public Employees Benefit Board (PEBB) and the Public Employees Retirement System (PERS) that are not fully-defined. PEBB is currently considering options to restructure premium tiers to mitigate costs associated with the implementation of the "Cadillac tax" of the Affordable Care Act, possibly effective in 2017 and 2018. This is likely to result in lower costs for employee-only plans and higher costs for employee-plus-family plans. Fiscal year 2016 PERS rates average over 21% of employee pay and represent an increase of 4.2% over the prior fiscal year. PERS is in the process of implementing required changes that resulted from the Oregon Supreme Court's (Moro) decision to overturn retirement reforms enacted in 2013 that will impact 2017-19. Those anticipated changes will become available in December 2015 as PERS reviews the updated actuarial valuations for 2017-19 rate setting.

OSU is ultimately subject to the same economic variables that affect other entities. The University is working diligently to continue to provide quality instruction, research and public service to its students and the citizens of the State, the nation and the world.

As of June 30,	University 2015	2014
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 82,123	$ 115,303
Collateral from Securities Lending (Note 2)	12,747	11,540
Accounts Receivable, Net (Note 3)	124,448	98,807
Notes Receivable, Net (Note 4)	4,970	5,196
Inventories	1,915	1,960
Prepaid Expenses	4,334	3,687
Total Current Assets	**230,537**	236,493
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	15,704	33,756
Investments (Note 2)	162,841	101,712
Notes Receivable, Net (Note 4)	18,771	20,341
Net Pension Asset (Note 13)	40,834	-
Capital Assets, Net of Accumulated Depreciation (Note 5)	978,239	890,467
Total Noncurrent Assets	**1,216,389**	1,046,276
Total Assets	**$ 1,446,926**	$ 1,282,769
DEFERRED OUTFLOWS OF RESOURCES	**$ 24,873**	$ 10,456
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 59,197	$ 62,659
Deposits	14,747	963
Obligations Under Securities Lending (Note 2)	12,747	11,540
Current Portion of Long-Term Liabilities (Note 8)	42,064	46,825
Unearned Revenues	44,313	39,987
Total Current Liabilities	**173,068**	161,974
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)	482,208	659,559
Total Noncurrent Liabilities	**482,208**	659,559
Total Liabilities	**$ 655,276**	$ 821,533
DEFERRED INFLOWS OF RESOURCES	**$ 78,792**	$ -
NET POSITION		
Net Investment in Capital Assets	$ 558,316	$ 312,017
Restricted For:		
Nonexpendable Endowments	4,827	4,377
Expendable:		
Gifts, Grants and Contracts	43,859	43,125
Student Loans	34,744	34,666
Capital Projects	23,020	24,121
Debt Service	3,798	12,878
Unrestricted	69,167	40,508
Total Net Position	**$ 737,731**	$ 471,692

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

As of June 30,	Component Units 2015	Component Units 2014
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	$ 6,850	$ 14,397
Investments	558,352	567,386
Contributions, Pledges and Grants Receivable, Net	45,072	35,224
Assets Held-For-Sale	5,428	7,567
Assets Held Under Split-Interest Agreements	54,462	58,311
Charitable Trusts Held Outside the Foundation	14,839	14,583
Prepaid Expenses and Other Assets	2,381	5,612
Property and Equipment, Net	4,730	4,858
Total Assets	**$ 692,114**	$ 707,938
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 16,437	$ 16,781
Accounts Payable to the University	6,825	9,862
Obligations to Beneficiaries of Split-Interest Agreements	25,422	27,734
Total Liabilities	**$ 48,684**	$ 54,377
NET ASSETS		
Unrestricted	$ 4,436	$ 16,930
Temporarily Restricted	264,802	283,183
Permanently Restricted	374,192	353,448
Total Net Assets	**$ 643,430**	$ 653,561

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

For the Year Ended June 30,	University 2015	2014
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $62,556 and $60,828, respectively)	$ 287,703	$ 263,975
Federal Grants and Contracts	171,063	158,291
State and Local Grants and Contracts	9,492	6,786
Nongovernmental Grants and Contracts	22,303	22,114
Educational Department Sales and Services	42,174	33,704
Auxiliary Enterprises (Net of Allowances of $4,702 and $4,918, respectively)	143,380	128,820
Other	12,063	8,186
Total Operating Revenues	**688,178**	621,876
OPERATING EXPENSES		
Instruction	239,732	243,734
Research	181,241	179,745
Public Service	81,836	77,820
Academic Support	60,532	61,925
Student Services	27,057	26,370
Auxiliary Programs	150,209	144,018
Institutional Support	65,210	61,523
Operation and Maintenance of Plant	30,411	30,805
Student Aid	28,536	30,547
Other	56,264	54,938
Total Operating Expenses (Note 11)	**921,028**	911,425
Operating Loss	**(232,850)**	(289,549)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	175,170	161,590
Financial Aid Grants	45,093	45,197
Investment Activity (Note 10)	14,876	17,291
Gain (Loss) on Sale of Assets, Net	(1,501)	(158)
Interest Expense	(17,750)	(25,453)
Other	54,751	43,768
Total Net Nonoperating Revenues	**270,639**	242,235
Income (Loss) Before Other Revenues	**37,789**	(47,314)
OTHER REVENUES (EXPENSES)		
Debt Service Appropriations (Note 12)	1,100	16,696
Capital Grants and Gifts	76,587	24,739
Changes to Permanent Endowments	450	766
Transfers within the OUS	-	(4,491)
Total Net Other Revenues	**78,137**	37,710
Increase (Decrease) In Net Position Prior to Special/Extraordinary Items	**115,926**	(9,604)
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 18)	224,667	-
Increase (Decrease) In Net Position After Special/Extraordinary Items	**340,593**	(9,604)
NET POSITION		
Beginning Balance	471,692	481,296
Change in Accounting Principle (Note 1, Section Q)	(74,554)	-
Beginning Balance, Restated	**397,138**	481,296
Ending Balance	**$ 737,731**	$ 471,692

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

For the Year Ended June 30,	Component Units 2015	2014
	(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 5,477	$ 5,156
Interest and Dividends	3,121	2,973
Investment Income (Loss), Net	(9,154)	16,032
Net Assets Released From Restrictions and Other Transfers	93,730	77,445
Other Revenues	14,785	13,821
Total Revenues	**107,959**	115,427
EXPENSES		
University Support	90,162	69,424
Management, General and Development Expenses	21,273	19,646
Investment Expense	9,018	9,958
Total Expenses	**120,453**	99,028
Increase (Decrease) In Unrestricted Net Assets	**(12,494)**	16,399
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	63,613	51,655
Interest and Dividends	11,426	11,592
Investment Income (Loss), Net	(4,911)	46,195
Change in Value of Life Income Agreements	(308)	1,160
Other Revenues	8,423	3,872
Net Assets Released From Restrictions and Other Transfers	(96,624)	(75,731)
Increase (Decrease) In Temporarily Restricted Net Assets	**(18,381)**	38,743
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	18,848	16,602
Interest and Dividends	159	157
Investment Income (Loss), Net	(530)	9
Change in Value of Life Income Agreements	(673)	3,502
Other Revenues	46	69
Net Assets Released From Restrictions and Other Transfers	2,894	(1,714)
Increase (Decrease) In Permanently Restricted Net Assets	**20,744**	18,625
Increase (Decrease) In Total Net Assets	**(10,131)**	73,767
Beginning Balance	653,561	579,794
Ending Balance	**$ 643,430**	$ 653,561

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

For the Year Ended June 30,	University 2015	2014
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 291,016	$ 262,737
Grants and Contracts	200,692	189,915
Educational Department Sales and Services	42,174	33,704
Auxiliary Enterprise Operations	143,817	126,150
Payments to Employees for Compensation and Benefits	(637,526)	(591,607)
Payments to Suppliers	(249,289)	(200,462)
Student Financial Aid	(41,011)	(42,689)
Other Operating Receipts (Payments)	19,328	(4,817)
Net Cash Provided (Used) by Operating Activities	**(230,799)**	(227,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	175,170	161,590
Financial Aid Grants	45,093	45,197
Private Gifts Received for Endowment Purposes	450	766
Other Gifts and Private Contracts	54,751	43,768
Net Agency Fund Receipts (Payments)	13,784	(4,421)
Net Transfers within the OUS	-	(7,269)
Cash Transfer Due to Reorganization	3,394	-
Net Cash Provided (Used) by Noncapital Financing Activities	**292,642**	239,631
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	1,100	16,114
Capital Grants and Gifts	42,097	22,699
Bond Proceeds from Capital Debt	80,288	113,956
Sales of Capital Assets	307	3,972
Purchases of Capital Assets	(137,220)	(149,205)
Interest Payments on Capital Debt	(19,595)	(17,276)
Principal Payments on Capital Debt	(33,775)	(37,979)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(66,798)**	(47,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(62,124)	36,947
Interest Receipts on Investments and Cash Balances	15,847	12,409
Net Cash Provided (Used) by Investing Activities	**(46,277)**	49,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(51,232)**	14,199
CASH AND CASH EQUIVALENTS		
Beginning Balance	149,059	134,860
Ending Balance	**$ 97,827**	$ 149,059

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

For the Year Ended June 30,	University 2015	2014
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$ (232,850)	$ (289,549)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	49,538	49,518
Changes in Assets and Liabilities:		
Accounts Receivable	2,727	(17,090)
Notes Receivable	1,796	809
Inventories	45	(67)
Prepaid Expenses	(647)	626
Pension Expense Changes Related to Net Pension Asset	(53,271)	-
Accounts Payable and Accrued Liabilities	(2,101)	20,461
Long-Term Liabilities	(362)	6,129
Unearned Revenues	4,326	2,094
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (230,799)**	$ (227,069)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	$ 1,414	$ 2,040
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	(971)	4,882
Internal Bank Loans Converted to XI-F(1) Debt	-	248,744
Removal of State Paid Debt	225,471	-

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Oregon State University (OSU) is governed by the Oregon State University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the State Senate. Prior to July 1, 2014, OSU was a member university of the Oregon University System (OUS) governed by the State Board of Higher Education (SBHE). With the passage of Senate Bill 270 by the Oregon Legislature in 2013, OSU became an independent public university on July 1, 2014.

The OSU financial reporting entity is comprised of OSU and its related foundations, which are discretely presented as component units on the basic financial statements. OSU includes the main campus in Corvallis and a branch campus in Bend and receives separate appropriations for statewide activities including agricultural experiment stations, cooperative extension services and forestry research laboratories. See Note 21 University Foundations for additional information regarding the related foundations reported as Component Units. Organizations that are not financially accountable to OSU, such as booster and alumni organizations, are not included in the reporting entity.

OSU is a component unit of the State of Oregon (State) and is included as a discretely presented component unit in the State's Comprehensive Annual Financial Report (CAFR) starting with the fiscal year 2015 financial report.

B. Financial Statement Presentation

The OSU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles (GAAP) 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 OSU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

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

Financial statements of the two university foundations are presented in accordance with GAAP prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

OSU 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 Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. As a result of the implementation, OSU restated beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by ($74,553,878) and reduced Pension Expense by $53,270,900 resulting in a change in ending Unrestricted Net Position of ($21,282,978). The ending Net Pension Asset as of June 30, 2015 was $40,833,598. See Note 13 Employee Retirement Plans for additional details.

OSU 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 GASB No. 69 did not impact the OSU financial statements.

OSU 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 Statement No. 71 updates GASB Statement No. 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension asset/liability. The adoption of GASB Statement No. 71 materially impacted the OSU financial statements. See Note 1, Section Q Change in Accounting Principle.

UPCOMING ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements and is effective for the fiscal year ending June 30, 2016. The adoption of GASB Statement No. 72 is not expected to have a material impact on the OSU financial statements. OSU currently holds natural resource assets in the form of forestry endowments that are valued every five years by an external professional. The current value of the forestry endowments is approximately $4,936,870.

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

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 improves the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and is effective for the fiscal year ending June 30, 2017. GASB Statement No. 74 does not apply to OSU.

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

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

C. Basis of Accounting

For financial reporting purposes, OSU is considered a special-purpose government engaged only in business-type activities. Accordingly, the OSU 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 include highly liquid investments with original maturities of three months or less. Cash and cash equivalents classified as current assets consist of: cash on hand, cash for current operations and cash and cash equivalents held for the payment of the current portion of debt service. Cash and cash equivalents classified as non-current assets consist of: cash held as a fiduciary agent for student groups, cash for noncurrent portion of debt service and cash deposits of debt proceeds for capital construction projects.

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. See Note 10 Investment Activity for additional information.

All 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. OSU capitalizes equipment with unit costs of $5 thousand or more and an estimated useful life greater than one year. OSU 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 thousand to $100 thousand, depending on the type of real property. Intangible assets valued in excess of $100 thousand 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.

OSU capitalizes interest expense on projects exceeding $20 million that are partially or fully funded by XI-F(1) debt, revenue bonds or internally generated funds. No capital interest costs were incurred for the fiscal year ended 2015. Total interest costs of $13,253,556 were incurred on XI-F(1) debt, of which $584,996 was capitalized for the fiscal year ended 2014.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets; generally 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 enterprise activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

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

J. Net Position

OSU'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, less outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE ENDOWMENTS

Restricted-Nonexpendable Endowments 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 principal.

RESTRICTED – EXPENDABLE

Restricted-Expendable includes resources which OSU is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

UNRESTRICTED

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

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

K. Endowments

Through fiscal year 2015, Oregon Revised Statutes (ORS) Section 351.130 gave OSU the authority to use the interest, income, dividends, or profits of endowments. Historically, OSU endowment funds were invested and managed through the OUS Chancellor's Office. The SBHE policy was 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 years ended June 30, 2015 and 2014, the net amount of appreciation available for authorization for expenditure was $1,922,843 and $1,900,029, respectively.

In April, 2015 the OUS transferred $33,260,766 in endowment fund cash and investments from the Higher Education Endowment Fund to OSU, and transferred $5,449,511 in alternative investments to the OSU Foundation. OSU recorded a receivable in exchange for the market value of the alternative investments through June 30, 2015. The cash was held as cash and investments at Oregon State Treasury as of June 30, 2015. The University has contracted with the OSU Foundation for the management of the endowment assets as of July 1, 2015. See Note 20 Subsequent Events for additional Information. The University endowment assets will be invested with the objectives of long-term capital appreciation and stable but growing income. The University Board distribution policy for spending purposes, will be revised to 4.5 percent of the preceding 12-quarter moving average of the endowment market value.

Nonexpendable Endowments on the Statement of Net Position of $4,827,316 and $4,376,903 at June 30, 2015 and 2014, respectively, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments. Total market value of all OSU endowments was $43,647,150 and $40,450,672 at June 30, 2015 and 2014, respectively. This includes real estate endowments of $4,936,870 and $2,693,000, respectively.

L. Income Taxes

OSU is treated as a governmental entity for tax purposes. As such, OSU is generally not subject to federal and state income taxes. However, OSU 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 OSU was granted exemption from income taxes. No income tax is recorded because there are no income taxes due on unrelated business income during fiscal year 2015.

M. Revenues and Expenses

OSU 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 expense of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, OSU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital assets related to debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprise revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. OSU has two types of scholarship allowances that are netted against gross tuition and fees. Tuition and housing waivers, provided directly by OSU, amounted to $30,856,065 and $30,837,425 for the fiscal years ended 2015 and 2014, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental

Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $34,126,357 and $32,228,225 for the fiscal years ended 2015 and 2014, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,275,420 and $2,680,545 for the fiscal years ended 2015 and 2014, respectively.

O. Federal Student Loan Programs

OSU receives proceeds from the Federal Direct Student Loan Program (FDSLP). Since OSU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the activity of the FDSLP is not reported in operations. OSU disbursed federal student loans in the amount of $147,865,455 and $156,456,339 for the fiscal years ended 2015 and 2014, respectively.

P. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Q. Change in Accounting Principle

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is 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 Statement No. 68 is reported as a restatement of beginning net position as of July 1, 2014 as follows:

	July 1, 2014
Beginning Net Position	$ 471,692
Less Beginning Net Pension Liability	(91,930)
Plus Beginning Deferred Outflows	17,376
Total Change in Accounting Principle	(74,554)
Restated Beginning Net Position	**$ 397,138**

R. Change in Accounting Estimate

Effective for fiscal year 2015, OSU changed its estimates for real property useful lives for buildings, major renovations to buildings, additions to buildings, and major improvements to buildings in order to more closely match actual asset lives to their depreciated useful lives based on historical experience. In addition, the capitalization thresholds for buildings and land improvements were increased to $100,000 from $50,000 and $75,000, respectively. The overall net effect of the accounting estimate change reduced depreciation expense by approximately $5,612,298 in fiscal year 2015, which also resulted in an increase in net assets by the same amount.

2. CASH AND INVESTMENTS

At June 30, 2015, the majority of the cash and investments of OSU are held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds for OSU are commingled with operating cash and investments from other Oregon public universities 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. OSU is currently serving as the Designated University for the PUF pool. 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, activities, and performance for each investment pool held in the PUF.

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

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 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 by linking to **www.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx.**

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

OSU 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 fiscal years ended June 30, 2015 and 2014, OSU cash and cash equivalents on deposit at State Treasury were $97,655,045 and $148,917,815, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2015 current portion includes $61,633,323 in unrestricted cash. Approximately half of the remaining current cash is restricted for endowments with student aid, debt service and agency funds accounting for the rest. The noncurrent portion includes $906,318 in internal agency funds held for OSU student groups and campus organizations, $613,990 held for debt service and $14,184,278 restricted for capital construction.

The 2014 current portion includes $109,035,327 in unrestricted cash. The remaining current cash is restricted for various internal and external purposes, including gifts, grants and contracts, student aid, debt service, and agency funds. The noncurrent portion includes $1,188,001 in internal agency funds held for OSU student groups and campus organizations and $32,567,655 restricted for capital construction.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash deposits will not be returned to a depositor. OSU 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. To facilitate study-abroad programs, there are some cash balances held in the local currency of other countries to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled $141,943 and $153,516 at June 30, 2015 and 2014, respectively. Amounts deposited in foreign bank accounts are reported as accounts receivable on the financial statements.

To further mitigate foreign currency risks for prospective study abroad activities, OSU periodically enters into forward foreign currency contracts. At June 30, 2015 and 2014, respectively, these contracts totaled $780,209 and $737,202 and had a net fair value loss of $4,340 and $18,780. The net fair value loss is reported in Deferred Outflows on the Statement of Net Position.

June 30, 2015
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj.
EUR	$ 564	$ 625	4/24/2015	9/30/2015	$ 1.1135	$ 4
JPY	18,063	155	5/14/2015	10/31/2015	0.0082	(8)

June 30, 2014
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj.
EUR	$ 437	$ 615	4/30/2014	3/31/2015	$ 1.3692	$ (17)
JPY	12,203	122	5/13/2014	3/31/2015	0.0099	(2)

OTHER DEPOSITS

For the years ended June 30, 2015 and 2014, OSU had vault and petty cash balances of $176,671 and $159,390, respectively.

B. Investments

As of June 30, 2015, all of OSU's operating funds and a portion of the endowments are invested in the PUF. Additionally, a portion of the endowments are separately invested through the State Treasury. The OSU endowment assets are managed by the University with consultation from its investment advisor. At June 30, 2014, all OSU funds were invested by the State Treasury and managed by the OUS. 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 $162,840,794 in investments, $28,339,360 was restricted endowments, which includes both true and quasi-endowments. Quasi-endowments may be unrestricted or have temporary rather than permanent donor restrictions.

At June 30, 2014, of the total $101,712,567 in investments, $40,450,672 was restricted endowments, which includes both true and quasi-endowments.

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 OSU's pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2015.

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

As of June 30, 2015, $94,302,155 was invested in an intermediate-term fixed income pool managed by the State Treasury; $57,241,227 was invested in a long-term fixed income pool managed by the State Treasury; and $11,297,412 was separately invested endowments of OSU.

At June 30, 2014, $17,114,943 was invested in an intermediate term pool managed by the State Treasury; $44,146,953 was in individually held investments managed by the State Treasury; $37,757,669 was invested in a diversified portfolio, managed for the benefit of pooled gifts and endowments; and $2,693,002 was separately invested endowments of OSU.

Investments of the OSU discretely presented component units are summarized at June 30, 2015 and 2014 as follows (in thousands):

Component Units

Fair Value at June 30,	2015	2014
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	**$ 376,388**	$ 388,242
Investment in Common Stock, Voting Trust and Partnerships	**134,851**	120,895
US Treasury Notes and Government Obligations	**12,667**	15,006
Money Market Funds and Certificates of Deposit	**209**	213
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	**23,739**	22,001
Alternative Investments	**-**	10,125
Investment Receivables	**216**	125
Other	**10,282**	10,779
Total Investments	**$ 558,352**	$ 567,386

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OSU has an investment policy for each segment of its investment portfolio. As of June 30, 2015, approximately 36 percent of investments in the PUF 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 $99,258,656. Fixed income securities which have not been evaluated by the rating agencies totaled $10,758,562. The PUF Investment Pool totaled $307,454,025, of which OSU owned $151,543,382 or 49 percent.

As of June 30, 2014, approximately 78 percent of investments in the OUS Investment Pools were 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 $154,485,295. Fixed income securities which have not been evaluated by the rating agencies totaled $79,935,027. The OUS Investment Pool totaled $299,160,395, of which OSU owned $101,712,567 or 34 percent.

CUSTODIAL CREDIT RISK

Custodial credit risk refers to the OSU investments that are held by others and not registered in OSU'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 governing securities lending to control this risk. See C Securities Lending in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

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

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Neither the PUF nor the OSU Endowment investments had reportable foreign currency risk at June 30, 2015.

Of the total Investment Pool of $299,160,395 as of June 30, 2014, $29,969,864 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2014. Of those investments, $6,200,796 had foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2015, securities held in the PUF Investment Pool subject to interest rate risk totaled $110,017,261 and had an average duration of 3.38 years. As of June 30, 2014, securities held in the OUS Investment Pool subject to interest rate risk totaled $245,840,100 and had an average duration of 3.04 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

C. Securities Lending

In accordance with the state investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian (Custodian) to act as its agent in the lending of OSU's and the PUF's securities pursuant to a loan agreement in accordance with PUF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2015. Amounts reported on OSU'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. As of June 30, 2015 and 2014, OSU's share was approximately 49 percent and 28 percent, respectively.

For the years ended June 30, 2015 and 2014, 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 the securities on loan in the OSTF and Oregon Intermediate-Term Pool. At June 30, 2015, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit, and corporate notes. The funds' rules provide that broker-dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State's name.

The cash collateral of PUF 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's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

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

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component units, comprised the following (in thousands):

	June 30, 2015	June 30, 2014
Student Tuition and Fees	**$ 39,882**	$ 40,056
Auxiliary Enterprises and Other Operating Activities	**9,195**	9,632
Federal Grants and Contracts	**24,201**	20,223
Component Units	**12,287**	9,898
State, Other Government, and Private Gifts, Grants and Contracts	**5,110**	3,400
Capital Construction	**35,079**	6,711
Other	**5,295**	14,949
	131,049	104,869
Less: Allowance for Doubtful Accounts	**(6,601)**	(6,062)
Accounts Receivable, Net	**$ 124,448**	$ 98,807

4. NOTES RECEIVABLE

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

Institutional and other student loans are comprised of institutional and non-federal loan programs administered by the university.

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

	June 30, 2015		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 789**	**$ -**	**$ 789**
Federal Student Loans	**4,590**	**20,655**	**25,245**
	5,379	**20,655**	**26,034**
Less: Allowance for Doubtful Accounts	**(409)**	**(1,884)**	**(2,293)**
Notes Receivable, Net	**$ 4,970**	**$ 18,771**	**$ 23,741**

	June 30, 2014		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 769	$ -	$ 769
Federal Student Loans	4,821	21,959	26,780
	5,590	21,959	27,549
Less: Allowance for Doubtful Accounts	(394)	(1,618)	(2,012)
Notes Receivable, Net	$ 5,196	$ 20,341	$ 25,537

5. CAPITAL ASSETS

The following schedule reflects the changes in Capital Assets (in thousands):

	Balance June 30, 2013	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2014	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2015**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 17,986	$ 5,288	$ –	$ –	$ 23,274	**$ 63**	**$ 434**	**$ –**	**$ 23,771**
Capitalized Collections	28,866	549	–	(912)	28,503	**246**	**–**	**–**	**28,749**
Construction in Progress	56,007	133,295	(29,206)	460	160,556	**116,228**	**(175,023)**	**(167)**	**101,594**
Total Capital Assets, Non-depreciable/Non-amortizable	102,859	139,132	(29,206)	(452)	212,333	**116,537**	**(174,589)**	**(167)**	**154,114**
Capital Assets, Depreciable/ Amortizable:									
Equipment	191,276	15,273	793	(4,761)	202,581	**15,657**	**468**	**(8,019)**	**210,687**
Library Materials	82,751	466	–	(25)	83,192	**366**	**–**	**–**	**83,558**
Buildings	954,924	–	25,652	(426)	980,150	**1,500**	**165,631**	**(3,824)**	**1,143,457**
Land Improvements	20,591	–	249	(525)	20,315	**2,387**	**4,177**	**(286)**	**26,593**
Improvements Other Than Buildings	10,096	–	337	–	10,433	**2,269**	**–**	**–**	**12,702**
Infrastructure	24,645	–	2,175	–	26,820	**–**	**4,313**	**–**	**31,133**
Intangible Assets	9,976	–	–	–	9,976	**401**	**–**	**–**	**10,377**
Total Capital Assets, Depreciable/Amortizable	1,294,259	15,739	29,206	(5,737)	1,333,467	**22,580**	**174,589**	**(12,129)**	**1,518,507**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(134,070)	(14,483)	–	4,014	(144,539)	**(15,010)**	**–**	**7,245**	**(152,304)**
Library Materials	(77,413)	(1,490)	–	24	(78,879)	**(1,169)**	**–**	**–**	**(80,048)**
Buildings	(358,015)	(29,967)	–	(2,388)	(390,370)	**(29,518)**	**–**	**3,115**	**(416,773)**
Land Improvements	(8,645)	(1,207)	–	409	(9,443)	**(1,188)**	**–**	**194**	**(10,437)**
Improvements Other Than Buildings	(7,144)	(716)	–	–	(7,860)	**(814)**	**–**	**–**	**(8,674)**
Infrastructure	(15,217)	(1,019)	–	–	(16,236)	**(1,241)**	**–**	**(65)**	**(17,542)**
Intangible Assets	(7,370)	(636)	–	–	(8,006)	**(598)**	**–**	**–**	**(8,604)**
Total Accumulated Depreciation/ Amortization	(607,874)	(49,518)	–	2,059	(655,333)	**(49,538)**	**–**	**10,489**	**(694,382)**
Total Capital Assets, Net	$ 789,244	$ 105,353	$ –	$ (4,130)	$ 890,467	**$ 89,579**	**$ –**	**$ (1,807)**	**$ 978,239**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 102,859	$ 139,132	$ (29,206)	$ (452)	$ 212,333	**$ 116,537**	**$ (174,589)**	**$ (167)**	**$ 154,114**
Capital Assets, Depreciable/ Amortizable	1,294,259	15,739	29,206	(5,737)	1,333,467	**22,580**	**174,589**	**(12,129)**	**1,518,507**
Total Cost of Capital Assets	1,397,118	154,871	–	(6,189)	1,545,800	**139,117**	**–**	**(12,296)**	**1,672,621**
Less Accumulated Depreciation/ Amortization	(607,874)	(49,518)	–	2,059	(655,333)	**(49,538)**	**–**	**10,489**	**(694,382)**
Total Capital Assets, Net	$ 789,244	$ 105,353	$ –	$ (4,130)	$ 890,467	**$ 89,579**	**$ –**	**$ (1,807)**	**$ 978,239**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following (in thousands):

	June 30, 2015	June 30, 2014
Services and Supplies	**$ 40,571**	$ 43,204
Accrued Interest	**6,927**	8,772
Salaries and Wages	**6,207**	5,705
Contract Retainage Payable	**5,396**	4,912
Payroll Related Expenses	**96**	66
Total	**$ 59,197**	$ 62,659

7. OPERATING LEASES

A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to non-state entities under noncancelable operating leases. Rental income received from leases was $3,819,254 and $3,586,515 for the years ended June 30, 2015 and 2014, respectively. The original cost of assets leased, net of depreciation, was $12,022,407 and $9,356,837 for the years ended June 30, 2015 and 2014, respectively. Future minimum operating lease revenues at June 30, 2015 were (in thousands):

For the year ending June 30,	
2016	$ 3,961
2017	3,529
2018	3,435
2019	3,220
2020	2,233
2021-2025	12,196
2026-2030	14,357
2031-2035	17,315
2036-2040	20,913
2041-2045	6,517
2046-2050	303
2051-2055	258
2056-2060	76
Total Minimum Operating Lease Revenues	$ 88,313

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $1,823,845 and $2,192,537 for the years ended June 30, 2015 and 2014, respectively. Future minimum operating lease payments at June 30, 2015 were (in thousands):

For the year ending June 30,	
2016	$ 1,802
2017	1,502
2018	845
2019	535
2020	273
2021-2025	1,059
2026-2030	506
Total Minimum Operating Lease Payments	$ 6,522

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows (in thousands):

	Balance July 1, 2014	Additions	Reductions	**Balance June 30, 2015**	**Amounts Due Within One Year**	**Long-Term Portion**
Long-Term Debt						
Due to the State:						
General Obligation Bonds XI-F(1)	$ 380,996	$ 23,035	$ (34,194)	$ 369,837	$ 15,175	$ 354,662
General Obligation Bonds XI-G	130,767	-	(130,767)	-	-	-
General Obligation Bonds XI-Q	12,039	-	(6,594)	5,445	79	5,366
Certificates of Participation (COPs)	18,028	-	(12,317)	5,711	1,488	4,223
Lottery Bonds	77,306	-	(77,306)	-	-	-
Oregon Department of Energy Loans (SELP)	14,970	-	(733)	14,237	710	13,527
Revenue Bonds	-	57,190	(30)	57,160	202	56,958
Installment Purchases	203	63	(97)	169	169	-
Total Long-Term Debt	634,309	80,288	(262,038)	452,559	17,823	434,736
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	33,805	-	(1,473)	32,332	1,301	31,031
Compensated Absences	27,009	21,611	(19,946)	28,674	21,176	7,498
Other Post-Employment Benefits	7,070	467	-	7,537	-	7,537
Employee Deferred Compensation	150	-	(150)	-	-	-
Employee Termination	4,041	418	(1,289)	3,170	1,764	1,406
Total Other Noncurrent Liabilities	72,075	22,496	(22,858)	71,713	24,241	47,472
Total Long-Term Liabilities	$ 706,384	$ 102,784	$ (284,896)	$ 524,272	$ 42,064	$ 482,208

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State:						
General Obligation Bonds XI-F(1)	$ 43,525	$ 337,471	$ -	$ 380,996	$ 13,420	$ 367,576
General Obligation Bonds XI-G	130,308	459	-	130,767	5,334	125,433
General Obligation Bonds XI-Q	12,295	-	(256)	12,039	263	11,776
Certificates of Participation (COPs)	20,658	-	(2,630)	18,028	1,945	16,083
Lottery Bonds	78,625	-	(1,319)	77,306	1,891	75,415
Oregon Department of Energy Loans (SELP)	8,726	6,711	(467)	14,970	650	14,320
Internal Bank Loans	263,904	63,303	(327,207)	-	-	-
Installment Purchases	290	-	(87)	203	97	106
Total Long-Term Debt	558,331	407,944	(331,966)	634,309	23,600	610,709
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	34,697	-	(892)	33,805	625	33,180
Compensated Absences	23,866	22,739	(19,596)	27,009	21,311	5,698
Other Post-Employment Benefits	6,890	180	-	7,070	-	7,070
Employee Deferred Compensation	100	50	-	150	-	150
Employee Termination	-	4,041	-	4,041	1,289	2,752
Early Retirement	393	-	(393)	-	-	-
Total Other Noncurrent Liabilities	65,946	27,010	(20,881)	72,075	23,225	48,850
Total Long-Term Liabilities	$ 624,277	$ 434,954	$ (352,847)	$ 706,384	$ 46,825	$ 659,559

The schedule of principal and interest payments for OSU debt is as follows (in thousands):

	General Obligation Bonds								
For the Year Ending June 30,	XI-F(1)	XI-Q	COPs	SELP	Revenue Bonds	Other Borrowings	Total Payments	Principal	Interest
2016	$ 28,521	$ 237	$ 1,606	$ 1,364	$ 2,240	$ 183	$ 34,151	$ 14,554	$ 19,597
2017	28,946	232	1,610	1,363	2,489	-	34,640	14,681	19,959
2018	28,613	586	1,234	1,363	2,489	-	34,285	15,212	19,073
2019	28,521	588	506	1,286	2,489	-	33,390	15,547	17,843
2020	26,690	589	270	1,198	2,489	-	31,236	13,854	17,382
2021-2025	125,793	2,942	802	5,991	12,446	-	147,974	74,283	73,691
2026-2030	114,354	1,176	-	5,991	12,446	-	133,967	79,268	54,699
2031-2035	89,428	-	-	1,893	12,446	-	103,767	68,224	35,543
2036-2040	55,664	-	-	-	12,446	-	68,110	45,910	22,200
2041-2045	19,577	-	-	-	62,468	-	82,045	69,016	13,029
Accreted Interest								6,420	(6,420)
								$ 416,969	$ 286,596
Total Future Debt Service	**546,107**	**6,350**	**6,028**	**20,449**	**124,448**	**183**	**703,565**		
Less: Interest Component of Future Payments	(204,599)	(1,807)	(631)	(6,212)	(73,333)	(14)	(286,596)		
Principal Portion of Future Payments	**341,508**	**4,543**	**5,397**	**14,237**	**51,115**	**169**	**416,969**		
Adjusted by: Net Unamortized Bond Premiums (Discounts)	28,329	902	314	-	6,045	-	35,590		
Total Long-Term Debt	**$ 369,837**	**$ 5,445**	**$ 5,711**	**$ 14,237**	**$ 57,160**	**$ 169**	**$ 452,559**		

The State and the University issue various debt instruments to fund capital projects at OSU. These debt instruments include General Obligation bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs), Lottery bonds and Revenue bonds as authorized by ORS 351.369. In addition, OSU also borrows funds from the Oregon Department of Energy through the Small Scale Energy Loan Program (SELP). As a result of OSU becoming a component unit of the State rather than an enterprise fund of the State for financial reporting, as of the fiscal year ended June 30, 2015, all state paid bonded debt recorded by OSU as a long-term liability was removed and is now recorded by the State as the owner of the debt. Principal and interest amounts due relating to OSU's share of XI-F(1), XI-Q, COPs and SELP are payable to the State.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2044. In accordance with bond covenants, some bond issues are non-refundable.

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

- $18,570,000 Series 2015-A tax-exempt bonds with an effective rate of 4.68 percent, due serially through 2034 for refunding.

During the fiscal year ended June 30, 2014, the State issued bonded indebtedness on behalf of OSU as follows:

- $7,711,315 of Series 2013-NO XI-F(1) taxable and tax-exempt bonds with an effective rate of 4.3 percent, due serially through 2044 for the following capital construction projects:
    - Cascades Campus: $4,134,524
    - Cultural Centers: $3,576,791
- $62,610,000 of Series 2014-CD XI-F(1) taxable and tax-exempt bonds with an effective rate of 3.6 percent, due serially through 2044 for the following capital construction projects:
    - Student Experience Center: $37,290,000
    - Memorial Union Renovation: $7,935,000
    - Student Residence Hall: $14,845,000
    - Student Resource Center: $2,540,000

B. General Obligation Bonds XI-G

As of the fiscal year ended June 30, 2015, $130,767,170 in XI-G bonded debt was removed from the long-term liabilities of OSU and OSU retained no amount of XI-G bonded debt, as discussed previously in this note. See Note 1 Organization and Summary of Significant Accounting Policies and Note 18 Change in Entity for additional information on the change in legal status.

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

C. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.19 percent to 4.4 percent, are due serially through fiscal year 2039.

As of the fiscal year ended June 30, 2015, $6,516,058 in XI-Q bonded debt was removed from the long-term liabilities of OSU and OSU retained $5,523,088 in XI-Q bonded debt, as discussed previously in this note. See Note 1 and Note 18 for additional information on the change in legal status. During the fiscal years ended June 30, 2015 and 2014, the State did not issue any XI-Q debt on OSU's behalf.

D. Certificates of Participation

COPs, with effective yields ranging from 2.37 percent to 5.0 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of OSU since fiscal year 2010.

As of the fiscal year ended June 30, 2015, $10,882,066 in COPs debt was removed from the long-term liabilities of OSU and OSU retained $7,145,359 in COPs debt, as discussed previously in this note. See Note 1 and Note 18 for additional information on the change in legal status.

E. Lottery Bonds

As of the fiscal year ended June 30, 2015, $77,305,978 in Lottery bonded debt was removed from the long-term liabilities of OSU and OSU retained no amount of Lottery bonded debt, as discussed previously in this note. See Note 1 and Note 18 for additional information on the change in legal status.

During the fiscal years ended June 30, 2015 and 2014, the State did not issue any Lottery bonds on OSU's behalf.

F. Internal Bank

Through June 30, 2014, OSU participated in an internal bank managed by the Oregon University System (OUS) on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for the OUS universities, including OSU. As a result of the changes in university governance effective July 1, 2014, the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, OSU internal bank loans due to the OUS totaled $280,648,347. Of those loans, $248,743,783 were converted to XI-F(1) debt and $31,904,564 was repaid directly to the internal bank. See Note 1 Organization and Summary of Significant Accounting Policies for additional information.

G. Oregon Department of Energy Loans

OSU has entered into loan agreements with the Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects. OSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 5.7 percent, are due through 2032.

H. Revenue Bonds

General Revenue bonds, with effective yields ranging from 3.24 percent to 4.34 percent, are due serially through fiscal year 2045.

During the fiscal year ended June 30, 2015, OSU issued General Revenue bonds as follows:

- $41,040,000 Series 2015-A tax-exempt bonds with an effective rate of 4.15 percent, with bullet maturities due in 2044 and 2045 for the following capital construction projects:
    - Cascade Campus Expansion: $4,765,000
    - Cascade Campus Master Plan: $1,750,000
    - Classroom Building: $28,495,000
    - Nypro Building Purchase: $5,155,000
    - Space Improvement Program: $875,000
- $10,075,000 Series 2015-B taxable bonds with an effective rate of 4.36 percent with a bullet maturity due in 2044 for the following capital construction projects:
    - Space Improvement Program: $10,075,000

This was the University's first issuance of Revenue bonds.

I. Defeased Debt

OSU participates in a debt portfolio administered by the State. From time to time and when fiscally appropriate, the State will sell bonds and use the proceeds to defease previously held debt.

During the year ended June 30, 2015, the State issued on behalf of OSU $18,570,000 in XI-F(1) bonds with an average interest rate of 4.68 percent to refund $20,307,069 in XI-F(1) bonds with an average interest rate of 4.76 percent. The net bond proceeds were $22,337,901 (after payment of $121,042 in underwriting costs and bond premium of $3,888,943).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $1,605,953. The refunding was undertaken to reduce total debt service payments (principal and interest over the next 23 years by $1,938,300 and resulted in an economic gain of $1,539,174.

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

The total amount of defeased debt outstanding but removed from the financial statements as of June 30, 2015 and 2014 totaled $79,244,902 and $123,545,071, respectively.

J. Financial Guarantees

OSU is a governmental agency of the State. Therefore, the State is ultimately responsible for OSU's financial obligations. As of June 30, 2015, no amounts have been paid by the State for OSU's financial obligations, both cumulatively and during the current reporting period.

K. 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 Pooled Liability was created. The pre-SLGRP Pooled 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, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State's Comprehensive Annual Financial Report. Interest expense was paid by OSU in the amount of $2,257,653 and $2,188,526 for June 30, 2015 and 2014, respectively. Principal payments of $1,301,107 and $891,421 were applied to OSU's liability for June 30, 2015 and 2014, respectively. A prior period adjustment of ($172,378) was applied to OSU's SLGRP liability by the State at June 30, 2015.

L. Employee Deferred Compensation

OSU has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the university 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code (IRC) Section 415.

M. Employee Termination

OSU has a severance agreement with three former employees relating to early termination of his/her employment contract. The future payout of this liability extends for two years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.57 percent.

9. PLEDGED GENERAL REVENUES

The University implemented a General Revenue Bond Program in 2015 to provide funding for capital construction and other related projects. As security for this debt, OSU has pledged general revenues which include student tuition and fees, auxiliary enterprise revenues, education department sales and services and other University operating revenues, with certain exclusions as shown in the table below. Net pledged General Revenues is calculated by deducting excluded and restricted revenues from total operating revenues, and adding beginning unrestricted net position adjusted for the excluded items. Pledged revenues are as follows (in thousands):

	June 30, 2015	June 30, 2014
Total Operating Revenues	$ 688,178	$ 621,876
(Less):		
Student Building Fees	(3,367)	(3,322)
Student Incidental Fees	(23,682)	(22,816)
Federal Grants and Contracts	(171,063)	(158,291)
State and Local Grants and Contracts	(9,492)	(6,786)
Nongovernmental Grants and Contracts	(22,303)	(22,114)
Amounts Required to be Deposited or Paid for University-Paid State Bonds	(50,425)	(46,736)
Plus:		
Adjusted Beginning Unrestricted Net Assets	25,735	63,611
General Revenues Pledged to Repay Revenue Bonds	$ 433,581	$ 425,422

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2015	June 30, 2014
Royalties and Technology Transfer Income	$ 11,492	$ 7,454
Investment Earnings	3,138	2,841
Endowment Income	1,239	1,142
Interest Income	316	265
Net Appreciation of Investments	(971)	4,882
Other	(338)	707
Total Investment Activity	$ 14,876	$ 17,291

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

	June 30, 2015	June 30, 2014
Compensation and Benefits	$ 584,425	$ 598,148
Services and Supplies	244,303	219,577
Scholarships and Fellowships	41,011	42,689
Depreciation and Amortization	49,538	49,518
Other	1,751	1,493
Total Operating Expenses	$ 921,028	$ 911,425

12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following (in thousands):

	June 30, 2015		
	General Operations	Debt Service	Total
General Fund - Education & General	$ 99,925	$ 1,100	$ 101,025
General Fund - Statewide Public Services	51,689	-	51,689
Lottery Funding	500	-	500
Harvest Tax	3,676	-	3,676
Total State	155,790	1,100	156,890
Federal Appropriations	10,878	-	10,878
County Appropriations	8,502	-	8,502
Total Appropriations	$ 175,170	$ 1,100	$ 176,270

	June 30, 2014		
	General Operations	Debt Service	Total
General Fund - Education & General	$ 90,137	$ 11,989	$ 102,126
General Fund - Statewide Public Services	49,566	-	49,566
Lottery Funding	500	4,707	5,207
Harvest Tax	3,919	-	3,919
Total State	144,122	16,696	160,818
Federal Appropriations	9,273	-	9,273
County Appropriations	8,195	-	8,195
Total Appropriations	$ 161,590	$ 16,696	$ 178,286

13. EMPLOYEE RETIREMENT PLANS

The University offers various defined benefit and defined contribution retirement plans to qualified employees as described below.

A. Defined Benefit Retirement Plans

Disclosures for the year ended June 30, 2015 are required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Disclosures for the year ended June 30, 2014 are required by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures —an amendment of GASB Statements No. 25 and No. 27*.

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, excluding employees covered by the Federal Employee Retirement System (FERS), are eligible to participate.

Plan Benefits

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

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

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled due to an other than duty-connected cause 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.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The cap on COLAs in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP) PENSION PROGRAM

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

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

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal 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. The cap on the COLAs in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

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 Post-Employment 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 Two for the years ended June 30, 2015 and 2014 was 9.86 percent. The employer contribution rate for OPSRP for the years ended June 30, 2015 and 2014 was 8.14 percent.

Employer required contributions for PERS and OPSRP for the years ended June 30, 2015 and June 30, 2014 were $19,504,260 and $18,180,320 respectively, including amounts to fund employer specific liabilities.

A 10-year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 20, 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**

FEDERAL CIVIL SERVICE RETIREMENT

Some OSU Extension Service employees hold federal appointments. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act (FICA), CSRS employee deduction of 7.0 percent, and employer contribution of 7.0 percent, and are also eligible for optional membership in PERS.

The Federal Employees Retirement System (FERS), a defined benefit plan, was created beginning January 1, 1987. Employees on federal appointment hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8 percent with an employer contribution rate of 11.9 percent, which changed to 13.2 percent effective October 1, 2014. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate.

ADDITIONAL DISCLOSURES FOR FISCAL YEAR ENDING JUNE 30, 2015 ONLY

The University implemented GASB Statement No. 68 for the reporting period ending June 30, 2015. Beginning Net Position as of July 1, 2014 was restated for Net Pension Liability and

Deferred Outflows of Resources. The following are additional disclosures that pertain only to fiscal year ending June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2015, the University reported a net pension asset of $40,833,598 for its proportionate share of the PERS net pension asset. The net pension asset was measured as of December 31, 2012, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The PERS system does not provide the University a proportionate share as a separate employer; OSU is considered a state agency employer by PERS and was included in the proportionate share provided to the Oregon Department of Administrative Services (DAS) for all state agencies. DAS calculated the University's proportional share internally based on fiscal year 2014 actual contributions. The Oregon Audits Division reviewed this internal calculation. At June 30, 2014 OSU's proportionate share was 1.80 percent of the statewide pension plan, and 7.59 percent of employer state agencies.

For the year ended June 30, 2015, OSU recorded a net reduction in pension expense of $53,270,900. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	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	-	78,792
Differences between System's contributions and proportionate share of contributions	730	-
Total	$ 730	$ 78,792
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		(78,062)
Contributions Subsequent to the MD	15,945	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		$ (62,117)

Of the amount reported as deferred outflows of resources, $15,945,500 are related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2016	$ (19,539)
2017	(19,539)
2018	(19,539)
2019	(19,539)
2020	94
	$ (78,062)

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 proportionate share.
- A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.6 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in the employer's total pension expense for fiscal year 2015.

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 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 PERS 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

Senate Bill (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 1.5 percent of annual benefits.

SB 861, signed into law in October 2013, limited the post-retirement COLAs for years beyond 2013 to 1.25 percent on the first $60,000 of annual benefits and 0.15 percent on annual benefits above $60,000.

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 GASB Statements No. 67 and No. 68, the Total Pension Liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the timing of the benefit changes, this means only SB 822 is reflected in the June 30, 2013 Total Pension Liability, but that the combined effects of SBs 822 and 861 are reflected in the June 30, 2014 Total Pension Liability. The decrease in the Total Pension Liability resulting from SB 861, measured as of June 30, 2014, created a ($2,424) million reduction in Plan pension liabilities.

Changes in Assumptions

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

Changes in Actuarial Methods and Allocation Procedures:

Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statement Nos. 67 and 68.

Tier 1/Tier 2 Unfunded Actuarial Liability (UAL) Amortization

In combination with the change in cost method, the PERS 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.

Changes in Economic Assumptions:

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8.0 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses

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

Healthcare Cost Inflation

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

Changes in Demographic Assumptions:

Healthy Mortality

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

Changes in Salary Increase Assumptions

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) and (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) and (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions

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

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed 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 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 GASB Statement No. 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB Statement 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.
- GASB Statement 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 the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	16.00	24.00	20.00
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	10.00	10.00
Opportunity Portfolio	0.00	3.00	0.00
Total			100 %

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 OIC investment advisors. The following table 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 university's proportionate share of the net pension asset to changes in the discount rate

The following presents the university'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 (in thousands):

	University's proportionate share of the Net Pension Asset
1 % Decrease -6.75%	$86,471
Current Discount Rate -7.75%	(40,834)
1 % Increase -8.75%	(148,503)

Bond Debt

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

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

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.7 percent. Payroll assessments paid by OSU for the fiscal years ended June 30, 2015 and 2014 were $14,517,234 and $13,180,288, respectively.

FEDERAL CIVIL SERVICE RETIREMENT

GASB Statement No. 68 is only applicable to State and Local governments and is not applicable to the Federal government. Since the Federal government is not required to report Net Pension Liability, it is not possible for OSU to estimate a Net Pension Liability associated with employees that hold federal appointments. In fiscal year 2015 there were 31 employees with federal appointments, with covered payroll of $3,442,932, compared to total payroll for all OSU employees of $432,964,198, or 0.8 percent of all employees. Contributions to CSRS and FERS are paid when due, any unfunded portion not estimated would be immaterial to the OSU financial statements as a whole.

B. Defined Contribution Retirement Plans

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the University to offer a defined contribution retirement plan as an alternative to PERS. A Retirement Plan Committee was appointed 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 University academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary

403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum.

Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

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

*With up to an additional 4.00% 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 $4,800 dollars per calendar year. Employee and employer contributions are directed to PERS on the first $4,800. The contribution to TIAA-CREF annuities are supplemental to PERS. 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.

FEDERAL CIVIL SERVICE RETIREMENT

OSU Extension Service employees that hold federal appointments can also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1 percent. Employees may also contribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case the employer contributes at a variable rate up to 5 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

OSU participates in an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the OSU 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

OSU's total payroll for the year ended June 30, 2015 was $432,964,198, of which $116,279,182 was subject to defined contribution retirement plan contributions.

The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2015			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 11,109	9.55%	$ 6,762	5.82%
TIAA-CREF	58	0.05	58	0.05
FERS - TSP	105	0.09	344	0.30
SRP	151	0.13	-	0.00
Total	$ 11,423	9.82%	$ 7,164	6.17%

Of the employee share, the employer paid $6,695,640 of ORP and $57,658 of TIAA-CREF during the fiscal year ended June 30, 2015. The FERS-TSP contributions of $344,433 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2015.

OSU's total payroll for the year ended June 30, 2014 was $400,024,672, of which $107,239,662 was subject to defined contribution retirement plan contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 10,486	9.78%	$ 6,020	5.61%
TIAA-CREF	56	0.05	56	0.05
FERS - TSP	108	0.10	340	0.32
SRP	138	0.13	-	0.00
Total	$ 10,788	10.06%	$ 6,416	5.98%

Of the employee share, the employer paid $6,020,101 of ORP and $55,990 of TIAA-CREF during the fiscal year ended June 30, 2014. The FERS-TSP contributions of $340,488 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2014.

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

OSU participates in a defined benefit post-employment 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 post-employment healthcare plan. ORS Chapter 243 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 post-retirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows OSU 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 OSU for its employees are 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 OSU's share, estimated at 9.89 percent of the total PEBB plan costs attributable to the State. This estimated allocation was based on health insurance premiums paid by state agencies during fiscal year 2015.

Funding Policy

OSU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2015 and 2014, OSU paid healthcare insurance premiums of $77,160,992 and $74,221,036, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $603,734 and $644,817 for the fiscal years ended 2015 and 2014, respectively.

Annual OPEB Cost and Net OPEB Obligation

OSU's annual OPEB expense is calculated based on OSU'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 Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

	June 30, 2015	June 30, 2014
Annual Required Contribution	**$ 1,318**	$ 1,246
Interest on Net OPEB Obligation	**273**	256
Adjustment to Annual Required Contribution	**(520)**	(487)
Prior Year Adjustment	**-**	(190)
Annual OPEB Cost	**1,071**	825
Contributions Made	**(604)**	(645)
Increase in Net OPEB Obligation	**467**	180
Net OPEB Obligation - Beginning of Year	**7,070**	6,890
Net OPEB Obligation - End of Year	**$ 7,537**	$ 7,070

The OSU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the change in net OPEB obligation for the fiscal years ended June 30, 2015, 2014 and 2013 were as follows (in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	**$ 1,071**	**14%**	**$ 7,537**
2014	825	12%	7,070
2013	1,952	28%	6,890

Funding Status and Funding Progress

The funded status of the OSU OPEB plan for June 30, 2015 and 2014 were as follows (in thousands):

	June 30, 2015	June 30, 2014
Actuarial Accrued Liabilities	**$ 10,390**	$ 10,212
Actuarial Value of Plan Assets	**-**	-
Unfunded Actuarial Accrued Liability	**$ 10,390**	$ 10,212
Funded Ratio	**0.00%**	0.00%
Covered Payroll (active plan members)	**$ 332,632**	$ 306,622
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	**3.12%**	3.33%

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 OSU 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 fiscal years ended June 30, 2015 and 2014 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 OSU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2015 and 2014 were $1,611,949 and $1,669,042, respectively.

16. RISK FINANCING

OSU 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, OSU transfers the following risk to the Trust:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents

- Workers' compensation and employer's liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items

OSU retains risk for losses under $100,000 which is the deductible per claim not covered by insurance purchased through the Trust.

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

OSU 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.

Through June 30, 2014, OSU participated in the OUS Risk Management Fund managed by the OUS Office of Risk Management. Effective as of July 1, 2014, the OUS Risk Fund was transferred to the Trust. Under the provisions of SB 270, OSU is required to participate in the Trust until June 30, 2015, at which time membership becomes optional. The University elected to continue its participation in the risk management pool operated by the Trust after June 30, 2015. All assets and liabilities of the previously established OUS Risk Fund were transferred to the Trust on the effective date.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately $181,354,682 at June 30, 2015. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OSU funds.

OSU 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.

OSU 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 657. OSU 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 OSU cannot be reasonably determined at June 30, 2015.

18. CHANGE IN ENTITY

Senate Bill (SB) 270 was passed by the Oregon Legislature during fiscal year 2013 and established OSU as an independent public body legally separate from the OUS as of July 1, 2014. Prior to July 1, 2014, OSU was a part of the OUS, an agency of the State. As a state agency some assets were held centrally by the OUS. These assets were distributed to the seven universities, including OSU, on or before the June 30, 2015 closing of the OUS. The change in entity also changed the allocation of bond debt held in the name of the State. The Oregon Department of Administrative Services, State Treasury, and Department of Justice all concluded that a portion of the debt previously allocated to the OUS and the seven universities as state agencies was the responsibility of the State to repay. OSU still has responsibility to repay XI-F(1) and SELP debt and the portions of XI-Q and COPs debt identified as institution paid debt. See Note 8 Long-Term Liabilities for additional information.

Changes in net position due to the change in entity comprised the following (in thousands):

	June 30, 2015
Assets Transferred From the OUS Resulting in an Increase to Net Position	
Cash Refund Due to Closing of the OUS Internal Bank	$ 1,933
Cash Distribution of Student Building Fee fund previously held centrally by the OUS	1,461
	3,394
State Paid Debt Transferred to the State Resulting in an Increase (Decrease) in Net Position	
General Obligation Bonds XI-G	130,767
General Obligation Bonds XI-Q	6,516
Certificates of Participation	10,882
Lottery Bonds	77,306
Deferred Outflows - XI-G Unamortized Gain/Loss on Refunding	(2,282)
	223,189
Other Changes	
Principal and Interest Payments on Institution Debt Paid by the OUS Chancellor's Office	2,792
Lottery Accrual for State Paid Debt Reversed	(4,708)
	(1,916)
Change in Net Position due to Change in Entity	**$ 224,667**

19. TRANSFER OF OPERATIONS

On July 1, 2014, OSU was established as an independent public body legally separate from the Oregon University System. In conjunction with the transfer of operations from the OUS to OSU the following balances were transferred on July 1, 2014 (in thousands):

		July 1, 2014
Current Assets	$	236,493
Noncurrent Assets		155,809
Capital Assets, Net		890,467
Total Assets	**$**	**1,282,769**
Deferred Outflows of Resources	**$**	**10,456**
Current Liabilities	$	161,974
Noncurrent Liabilities		659,559
Total Liabilities	**$**	**821,533**
Deferred Inflows of Resources	**$**	-
Net Investment in Capital Assets	$	312,017
Restricted - Nonexpendable		4,377
Restricted - Expendable		114,790
Unrestricted		40,508
Total Net Position	**$**	**471,692**

Also see Note 18 for other significant adjustments due to the change in entity.

20. SUBSEQUENT EVENTS

CHANGE IN ENDOWMENT MANAGEMENT

On July 1, 2015, OSU transferred the management of its endowment funds to the OSU Foundation pursuant to an investment agreement between the University Board and the Foundation. The University transferred $38,710,278 in cash and investments to the Foundation. Real estate endowments and remainder trusts totaling $4,936,872 continue to be managed by the University. See Note 1 Organization and Significant Accounting Policies, Section K Endowments for additional information on this change.

NEW STATE SICK LEAVE LAW

SB 454, passed in the 2015 Oregon Legislative Session, 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 are 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

On April 30, 2015 the Oregon Supreme Court ruled in the Moro decision that the provisions of SB 861, signed into law in October 2013 which 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% 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 (MD)			
		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

OSU's proportionate share of the statewide pension plan at MD:		1.80144409%
OSU Net Pension (Asset) prior to Moro (full dollars):	$	(40,833,598)
Estimated Net Pension Liability at MD after Moro (full dollars):	$	47,738,268

21. UNIVERSITY FOUNDATIONS

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of OSU. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although OSU does not control the timing or amount of receipts from the foundations or income thereon, the majority of resources that each foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of the University, the foundations are considered component units of OSU and are discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2015 and 2014.

During the years ended June 30, 2015 and 2014 gifts of $81,359,313 and $59,031,942, respectively, were transferred from university foundations to OSU. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

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

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

- *Oregon State University Foundation, 850 SW 35th Street, PO Box 1438, Corvallis, OR 97339-1438*
- *Agricultural Research Foundation, 1600 SW Western Blvd, Suite 320, Corvallis, OR 97333*

Component Units
Combining Financial Statement

Statements of Financial Position
As of June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 5,764	$ 1,086	$ 6,850
Investments	537,390	20,962	558,352
Contributions, Pledges and Grants Receivable, Net	42,769	2,303	45,072
Assets Held-For-Sale	5,428	-	5,428
Assets Held Under Split-Interest Agreements	54,462	-	54,462
Charitable Trusts Held Outside the Foundation	14,839	-	14,839
Prepaid Expenses and Other Assets	2,064	317	2,381
Property and Equipment, Net	4,716	14	4,730
Total Assets	**$ 667,432**	**$ 24,682**	**$ 692,114**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,100	$ 7,337	$ 16,437
Accounts Payable to the University	3,183	3,642	6,825
Obligations to Beneficiaries of Split-Interest Agreements	25,422	-	25,422
Total Liabilities	**$ 37,705**	**$ 10,979**	**$ 48,684**
NET ASSETS			
Unrestricted	$ 1,086	$ 3,350	$ 4,436
Temporarily Restricted	255,424	9,378	264,802
Permanently Restricted	373,217	975	374,192
Total Net Assets	**$ 629,727**	**$ 13,703**	**$ 643,430**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 481	$ 4,996	$ 5,477
Interest and Dividends	3,121	-	3,121
Investment Income (Loss), Net	(9,713)	559	(9,154)
Net Assets Released From Restrictions and Other Transfers	90,930	2,800	93,730
Other Revenues	14,785	-	14,785
Total Revenues	**99,604**	**8,355**	**107,959**
EXPENSES			
University Support	81,934	8,228	90,162
Management, General and Development Expenses	20,885	388	21,273
Investment Expense	9,018	-	9,018
Total Expenses	**111,837**	**8,616**	**120,453**
Increase (Decrease) In Unrestricted Net Assets	**(12,233)**	**(261)**	**(12,494)**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	59,594	4,019	63,613
Interest and Dividends	11,390	36	11,426
Investment Income (Loss), Net	(4,911)	-	(4,911)
Change in Value of Life Income Agreements	(308)	-	(308)
Other Revenues	8,423	-	8,423
Net Assets Released From Restrictions and Other Transfers	(93,824)	(2,800)	(96,624)
Increase (Decrease) In Temporarily Restricted Net Assets	**(19,636)**	**1,255**	**(18,381)**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	18,848	-	18,848
Interest and Dividends	159	-	159
Investment Income (Loss), Net	(534)	4	(530)
Change in Value of Life Income Agreements	(673)	-	(673)
Other Revenues	46	-	46
Net Assets Released From Restrictions and Other Transfers	2,894	-	2,894
Increase (Decrease) In Permanently Restricted Net Assets	**20,740**	**4**	**20,744**
Increase (Decrease) In Total Net Assets	**(11,129)**	**998**	**(10,131)**
Beginning Balance	**640,856**	**12,705**	**653,561**
Ending Balance	**$ 629,727**	**$ 13,703**	**$ 643,430**

Component Units
Combining Financial Statement

Statements of Financial Position
As of June 30, 2014

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 13,693	$ 704	$ 14,397
Investments	545,952	21,434	567,386
Contributions, Pledges and Grants Receivable, Net	33,181	2,043	35,224
Assets Held-For-Sale	7,567	-	7,567
Assets Held Under Split-Interest Agreements	58,311	-	58,311
Charitable Trusts Held Outside the Foundation	14,583	-	14,583
Prepaid Expenses and Other Assets	5,252	360	5,612
Property and Equipment, Net	4,840	18	4,858
Total Assets	**$ 683,379**	**$ 24,559**	**$ 707,938**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,827	$ 6,954	$ 16,781
Accounts Payable to University	4,962	4,900	9,862
Obligations to Beneficiaries of Split-Interest Agreements	27,734	-	27,734
Total Liabilities	**$ 42,523**	**$ 11,854**	**$ 54,377**
NET ASSETS			
Unrestricted	$ 13,319	$ 3,611	$ 16,930
Temporarily Restricted	275,060	8,123	283,183
Permanently Restricted	352,477	971	353,448
Total Net Assets	**$ 640,856**	**$ 12,705**	**$ 653,561**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2014

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 368	$ 4,788	$ 5,156
Interest and Dividends	2,973	-	2,973
Investment Income, Net	14,954	1,078	16,032
Net Assets Released From Restrictions and Other Transfers	75,206	2,239	77,445
Other Revenues	13,821	-	13,821
Total Revenues	**107,322**	**8,105**	**115,427**
EXPENSES			
University Support	61,056	8,368	69,424
Management, General and Development Expenses	19,256	390	19,646
Investment Expense	9,780	178	9,958
Total Expenses	**90,092**	**8,936**	**99,028**
Increase (Decrease) In Unrestricted Net Assets	**17,230**	**(831)**	**16,399**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	48,231	3,424	51,655
Interest and Dividends	11,592	-	11,592
Investment Income, Net	46,165	30	46,195
Change in Value of Life Income Agreements	1,160	-	1,160
Other Revenues	3,872	-	3,872
Net Assets Released From Restrictions and Other Transfers	(73,491)	(2,240)	(75,731)
Increase (Decrease) In Temporarily Restricted Net Assets	**37,529**	**1,214**	**38,743**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	16,601	1	16,602
Interest and Dividends	157	-	157
Investment Income, Net	5	4	9
Change in Value of Life Income Agreements	3,502	-	3,502
Other Revenues	69	-	69
Net Assets Released From Restrictions and Other Transfers	(1,714)	-	(1,714)
Increase (Decrease) In Permanently Restricted Net Assets	**18,620**	**5**	**18,625**
Increase (Decrease) In Total Net Assets	**73,379**	**388**	**73,767**
Beginning Balance	**567,477**	**12,317**	**579,794**
Ending Balance	**$ 640,856**	**$ 12,705**	**$ 653,561**

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON STATE UNIVERSITY CONTRIBUTIONS*
Public Employees Retirement System

For Fiscal Year Ended June 30,	2015	2014	2013	2012
Contractually Required Contribution	$ 15,945	$ 15,100	$ 13,760	$ 12,666
Contributions in Relation to the Contractually Required Contribution	15,945	15,100	13,760	12,666
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 219,796	$ 202,992	$190,712	$ 177,807
Contributions as a Percentage of Covered Payroll	7.3%	7.4%	7.2%	7.1%

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

	June 30, 2015
University's Allocation of the Net Pension Asset	1.80%
University's Proportionate Share of the Net Pension Asset	$ 40,834
University's Covered Payroll	$ 219,796
University's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	18.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	109.40%

*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

Funding Status of Other Post-Employment Benefits

(in thousands)

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	$ -	$ 14,593	$ 14,593	0.0%	$ 254,043	5.7%
6/30/2012	-	14,397	14,397	0.0	265,095	5.4
6/30/2013	-	15,094	15,094	0.0	286,923	5.3
6/30/2014	-	10,212	10,212	0.0	306,622	3.3
6/30/2015	-	10,390	10,390	0.0	332,632	3.1

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

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