Oregon State University

2017 Annual Financial Report

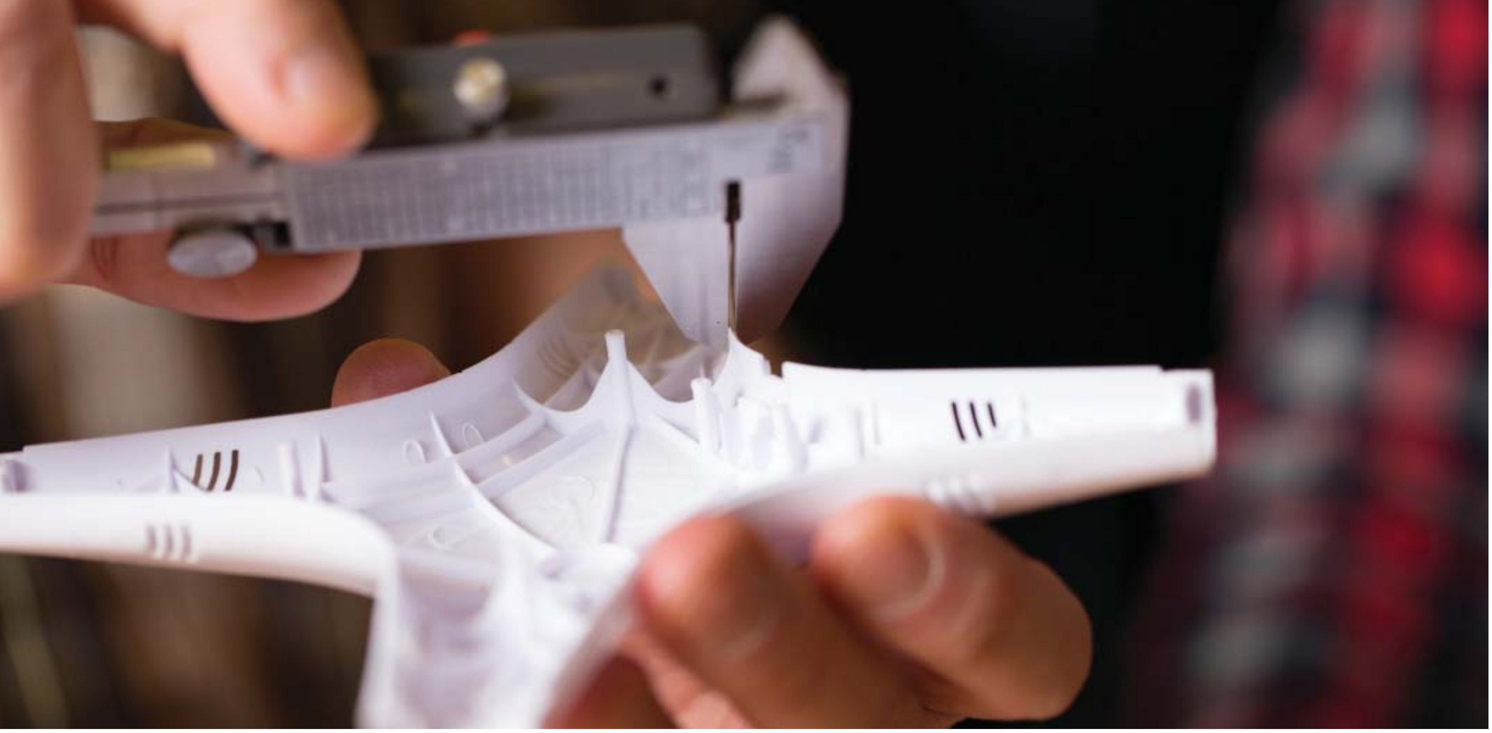


Table of Contents

Board of Trustees (effective as of June 30, 2017)

Executive Officers (effective as of June 30, 2017)

Edward J. Ray
President

Edward Feser
Provost/Executive Vice President

Charlene Alexander
Vice President and Chief Diversity Officer

Michael J. Green
Interim Vice President for Finance & Administration/CFO

Cynthia Sagers
Vice President for Research

Steven Clark
Vice President for University Relations and Marketing

Becky Johnson
Vice President for OSU - Cascades

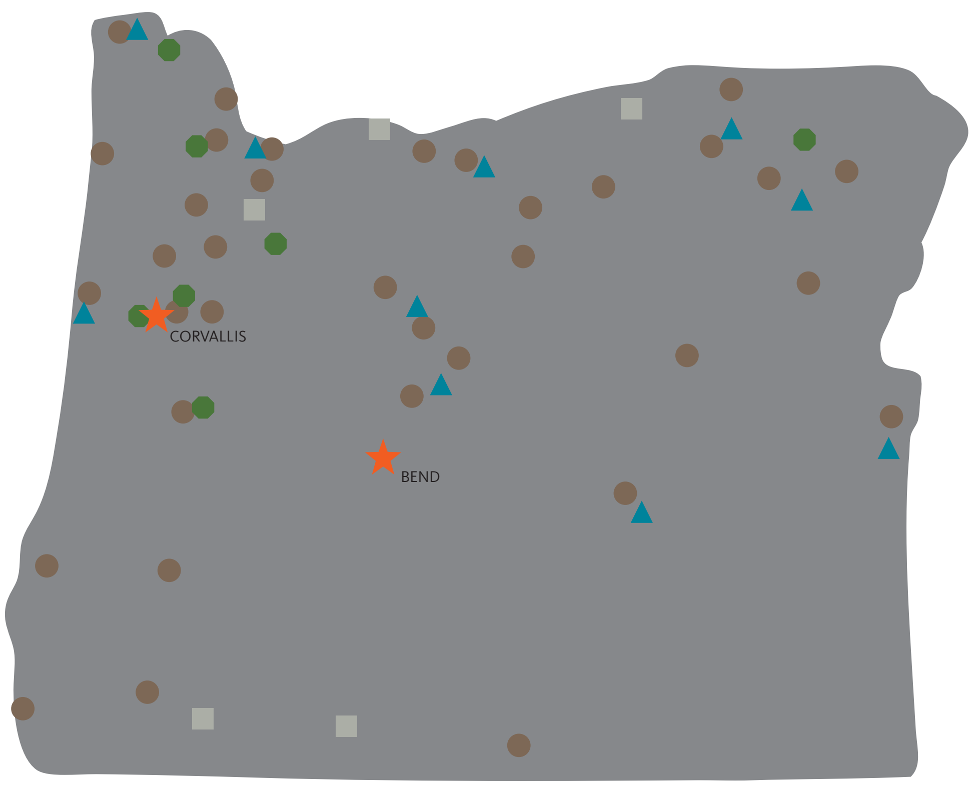
Scott Barnes
Vice President/Director of Intercollegiate Athletics

Rebecca Gose
General Counsel

Patricia Snopkowski
Chief Audit Executive

OREGON'S STATEWIDE UNIVERSITY

Oregon State University is a comprehensive, internationally recognized public research 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, as well as state and federal agencies, help contribute to the success of the university's research enterprise.



- OSU Extension Service Locations (35)
- OSU Research and Extension Centers (5)
- OSU Campuses (2)
- Oregon Agricultural Experiment Station Sites (10)
- Forest Research Laboratory Sites (7)

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:
oregonstate.edu/leadership/strategicplan

Message from President Edward J. Ray

Momentum in many areas continues to propel Oregon State University forward, and I am pleased to report again this year that the institution's financial foundation remains very strong.

Oregon State is an internationally recognized public research university on the rise and is at the forefront of excellence, leadership and innovation. OSU's relevant impact in the state, the nation and world furthers Oregon State's growing reputation as Oregon's leading comprehensive university.

The university achieved many major accomplishments this past year. Our Ecampus online bachelor's programs are ranked No. 8 in the country by U.S. News and World Report. For the third straight year, Oregon State set a record in research funding — $441 million — which totaled more research dollars than Oregon's six other public universities combined. The university's research enterprise continues to excel by addressing some of the world's most pressing problems — from climate change to cancer.

After completing the $1.14 billion Campaign for OSU in 2014, the OSU Foundation has kept the momentum going with gifts totaling $132.15 million in 2017. Donor support continues to make a significant difference across the university. More than 3,800 students at Oregon State receive donor-funded scholarships and fellowships, helping recruit more high-achieving and diverse students each year. Donors are supporting the university's priorities for academic excellence, transformative learning experiences and pioneering research discovery through funding 132 endowed faculty positions, along with investments in facilities and strategic programs, such as the Student Success Initiative.

For the third consecutive year, OSU was the largest university in the state with more than 31,000 students. True to our land grant mission, 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; 3,000-5,000 students at our OSU-Cascades campus in Bend; up to 500 students at a Marine Studies Campus in

Newport; and 7,000 or more degree-seeking students enrolled entirely online. OSU continued to offer four-year degree programs at its OSU-Cascades branch campus, which opened its first academic building, Tykeson Hall, in the fall of 2016. This campus serves students who want to remain in Central Oregon and attend a four-year college, and provides resident Oregonian, out-of-state and international students with a high quality Oregon State education in a unique small-campus setting.

College affordability remains a top priority for our Board of Trustees, OSU administrators, students and their families. Until the 2015 Oregon legislative session, Oregon's public universities have had to weather a decade or more of declining state support for higher education. As a result, on average, each Oregon resident undergraduate attending OSU has an unmet need each year of $5,342. For students who are Pell Grant-eligible, that unmet need is $9,273 annually. As part of our Student Success Initiative, we are working aggressively to ensure that an OSU degree is an affordable reality for all qualified Oregonians.

Oregon State is deeply committed to sound financial management and utilizes a 10-year financial forecast and 10-year capital forecast to help guide the university.

OSU has been Oregon's statewide university for 149 years. As we begin the celebration of our 150th year of service to the state and its people, we will work to accomplish even more for our students and all those we serve.

Edward J. Ray

POINTS of Pride

TOP 10 ONLINE DEGREE

Oregon State's Ecampus, with more than 40 undergraduate and graduate degrees and nearly 1,000 courses, continues to earn top rankings in nationwide surveys. (U.S. News & World Report)

TOP 3 IN THE WORLD FOR FORESTRY AND OCEANOGRAPHY

Oregon State faculty are among the most frequently published in top-tier scientific journals, earning a global reputation for groundbreaking research that impacts the environment and the economy. (Center for World University Rankings)

No. 1 MID-CAREER SALARY OF ALL PUBLIC SCHOOLS IN OREGON

Oregon State graduates earn a median salary of $87,600 at mid-career, the most of any public university in the state. (Pay Scale)

No. 9 GREENEST UNIVERSITY

Oregon State is nationally recognized for its top-ranked programs in sustainability fields, including forestry, wildlife management, zoology, conservation biology, agricultural sciences and nuclear engineering. (BestColleges.com)

No. 2 FRIENDLIEST COLLEGE TOWN IN AMERICA

No. 21 SMARTEST COLLEGE TOWNS IN AMERICA

Corvallis consistently ranks among the nation's top college towns in multiple surveys, cited for innovation, sustainability, entertainment and livability. (Great College Deals)

BICYCLE GOLD

One of just 12 universities in the nation to earn a gold ranking, Oregon State is known for bike-friendly amenities and encouraging bicycling as an easy, healthy transportation option. (League of American Bicyclists)

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Oregon State University
Corvallis, Oregon

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, 2017 and 2016, 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 audits. We did not audit the 2017 and 2016 financial statements of the aggregate discretely presented component units, the Oregon State University Foundation and the Agricultural Research Foundation, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component units. 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 Oregon State University Foundation and the Agricultural Research Foundation is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the aggregate discretely presented component units of Oregon State University as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the University's contributions, schedule of the University's proportionate share of the net pension liability, and schedule of funding status of Other Postemployment Benefits as listed in the table of contents 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 and other auditors 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oregon State University's basic financial statements. The Message from the President is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Members of the Board of Trustees
Oregon State University

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

Denver, Colorado
October 31, 2017

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, 2017, 2016, and 2015. 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

	2017	2016	2015	2014	2013
Corvallis	**21,608**	21,658	21,939	21,844	21,634
Cascades	**709**	650	600	541	479
Ecampus	**5,513**	4,731	4,089	3,684	3,030
Total	**27,830**	27,039	26,628	26,069	25,143

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 of resources, liabilities and deferred inflows of resources 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 of cash either provided or 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.

Financial Position Summary

The University's financial position has improved over the past two years with an increase to net position as of June 30, 2017 of $13 million and an increase of $3 million in 2016. The increase to net position in 2017 was due in part to an increase in unrestricted operations of $22 million, which includes education, auxiliary and general business type activities, as well as an increase in net investment in capital assets of $28 million. Those increases were somewhat offset by a net decrease to unrestricted net position of $40 million related to changes in net pension liability and associated deferred outflows and deferred inflows. See Note 10 Unrestricted Net Position.

The increase to net position in 2016 was primarily due to an increase in net investment in capital assets of $113 million which resulted in part due to the removal of $21.4 million in premiums, discounts, and deferred gain/loss on legacy debt in accordance with new state debt agreements. See Note 19 Change in Entity. Unrestricted net position ended the year with a negative position due primarily to the recording of the net pension liability and associated reporting requirements, which decreased unrestricted net position by $93 million. Unrestricted operations added $2 million to unrestricted net position. See Note 10.

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 important 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's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (in millions):

Condensed Statement of Net Position

As of June 30,	2017	2016	2015
Current Assets	**$ 196**	$ 200	$ 239
Noncurrent Assets	**230**	204	237
Capital Assets, Net	**1,127**	1,072	978
Total Assets	**$ 1,553**	$ 1,476	$ 1,454
Deferred Outflows of Resources	**$ 171**	$ 28	$ 25
Current Liabilities	**$ 180**	$ 186	$ 180
Noncurrent Liabilities	**787**	549	482
Total Liabilities	**$ 967**	$ 735	$ 662
Deferred Inflows of Resources	**$ 3**	$ 28	$ 79
Net Investment in Capital Assets	**$ 706**	$ 678	$ 565
Restricted - Nonexpendable	**5**	5	5
Restricted - Expendable	**86**	83	107
Unrestricted	**(43)**	(25)	61
Total Net Position	**$ 754**	$ 741	$ 738

Total Assets and Deferred Outflows of Resources

Total assets increased by $77 million, or 5 percent, during the year ended 2017 due to increases in net capital assets, cash and cash equivalents, investments and notes receivable. These increases were offset by decreases in accounts receivable and prepaid expense. Total assets increased by $22 million, or 2 percent, during the year ended 2016 due to increases in net capital assets, investments, accounts receivable, and prepaid expenses. These increases were offset by decreases in cash and cash equivalents, notes receivable and the change from a net pension asset to a net pension liability.

Comparison of fiscal year 2017 to fiscal year 2016

Current Assets decreased by $4 million, or 2 percent.

- Current cash and cash equivalents increased by $15 million. Overall, lower cash balances in operating funds were offset by a decrease in the proportion of cash that was transferred to investments in 2017, resulting in a net higher cash balance at year end.
- Accounts receivable decreased by $17 million. Decreases in receivables related to federal grants and contracts and capital construction were only somewhat offset by increases in receivables related to student tuition and fees and auxiliary operations. See Note 3 Accounts Receivable for additional information.
- Current notes receivable was relatively unchanged. See Note 4 Notes Receivable for additional information.
- Prepaid expenses decreased by $2 million due to expensing large prepaid amounts recorded at June 30, 2016, which were related to research equipment.

Noncurrent (Noncapital) Assets increased by $26 million, or 13 percent.

- Noncurrent cash and cash equivalents increased by $19 million due primarily to increased cash held for construction as match for XI-G bond sales by the State. Increased cash balances were somewhat offset by an increase in the amount of cash transferred to investments in 2017.
- Investments increased by $7 million.
- Noncurrent notes receivable increased by less than $1 million. See Note 4 for additional information.

Capital Assets, Net increased by $55 million, or 5 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

Deferred Outflows of Resources increased by $143 million, or 511 percent. See Note 6 Deferred Outflows and Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2016 to fiscal year 2015

Current Assets decreased by $39 million, or 16 percent.

- Current cash and cash equivalents decreased by $36 million primarily due to the transfer of $27 million in endowment cash to the OSU Foundation during fiscal year 2016. These funds were held as cash at the end of fiscal year 2015 as a result of the transfer of administrative responsibility for OSU endowment investments from the Oregon University System (OUS) to the OSU Foundation on July 1, 2015.
- Accounts receivable was relatively unchanged. Increases in receivables for federal, state, and other grants, and other receivables were offset by decreases in receivables related to capital construction projects and component units. See Note 3 for additional information.
- Current notes receivable decreased by $1 million. Receivables for federal Perkins loans decreased by $219 thousand while receivables for institutional and other student loans decreased by $557 thousand. These decreases were further compounded by an increase in the allowance for doubtful accounts of $150 thousand. See Note 4 for additional information.
- Prepaid expenses increased by $4 million due to large down payments made on new research equipment funded by grants and a large year-end purchase of library materials to be received in the next year.
- Collateral from securities lending decreased by $6 million.

Noncurrent (Noncapital) Assets decreased by $33 million, or 14 percent.

- Noncurrent cash and cash equivalents decreased by $6 million mainly as the result of a decrease in cash held for capital construction and due to a higher proportion of noncurrent cash transferred to investments.
- Investments increased by $15 million as the result of the University converting a greater proportion of cash to investments during fiscal year 2016.
- Noncurrent notes receivable decreased by almost $1 million. Receivables for federal Perkins loans decreased by $1 million while receivables for institutional and other student loans increased by $631 thousand. The net decrease in receivables was further compounded by an increase in the allowance for doubtful accounts of $447 thousand. See Note 4 for additional information.
- Net pension asset decreased by $41 million to zero. OSU recorded a net pension liability as of June 30, 2016. See Non-Current Liabilities later in this MD&A for further discussion.

Capital Assets, Net increased by $94 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 $3 million, or 12 percent.

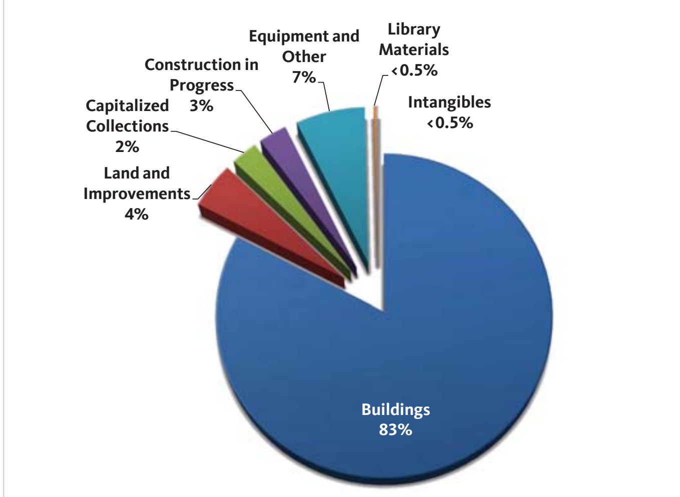
- Deferred outflows of resources related to deferred gain/loss on long-term debt bond refunding decreased by $8 million, to zero, due to the removal of unamortized gain/loss associated with legacy debt per debt agreements with the State. See Note 19 Change in Entity.
- Deferred outflows of resources related to pensions increased by $11 million. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2017, OSU had $1.9 billion in capital assets, less accumulated depreciation of $773 million, for net capital assets of $1.1 billion. At June 30, 2016, OSU had $1.8 billion in capital assets, less accumulated depreciation of $730 million, for net capital assets of $1.1 billion. 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 funding were all used to accomplish OSU's capital objectives.

2017 Capital Assets, Net $1,127 Million



Changes to Capital Assets

(in millions)

As of June 30,	**2017**	2016	2015
Capital Assets, Beginning of Year	**$ 1,802**	$ 1,673	$ 1,546
Add: Purchases/Construction	**111**	146	139
Less: Retirements/Adjustments	**(13)**	(17)	(12)
Total Capital Assets, End of Year	**1,900**	1,802	1,673
Accum. Depreciation, Beginning of Year	**(730)**	(695)	(656)
Add: Depreciation Expense	**(55)**	(50)	(50)
Less: Retirements/Adjustments	**12**	15	11
Total Accum. Depreciation, End of Year	**(773)**	(730)	(695)
Total Capital Assets, Net, End of Year	**$ 1,127**	$ 1,072	$ 978

Capital additions totaled $111 million for 2017, $146 million for 2016, and $139 million for 2015.

During 2017, capital asset additions included $83 million for construction in progress (CIP) for buildings, equipment, land improvements and infrastructure; $20 million for equipment; $3 million for buildings; and $2 million for land improvements. During 2016, capital asset additions included $113 million for CIP for buildings, equipment, land improvements and infrastructure; $8 million for land; $16 million for equipment; and $6 million for buildings. During 2015, capital asset additions included $116 million for CIP for buildings, equipment, land improvements and infrastructure; $16 million for equipment; $1 million for buildings; $2 million for land improvements; and $2 million for improvements other than buildings.

See Note 5 Capital Assets for additional information.

Debt Administration

During 2017, long-term debt held by OSU increased by $32 million, or 8 percent, from $406 million to $438 million.

- OSU issued an additional $47 million (par value) of new Revenue Bonds earmarked for construction. The bonds were sold at a premium of $5 million, which will be amortized over the life of the bonds.

- The State refunded previously issued XI-F(1) debt, resulting in a net decrease to OSU's contracts payable of $4 million.
- OSU made debt service principal payments totalling $14 million on outstanding long-term debt.
- OSU's remaining obligation for accreted interest and premiums on outstanding debt decreased by a net $2 million.

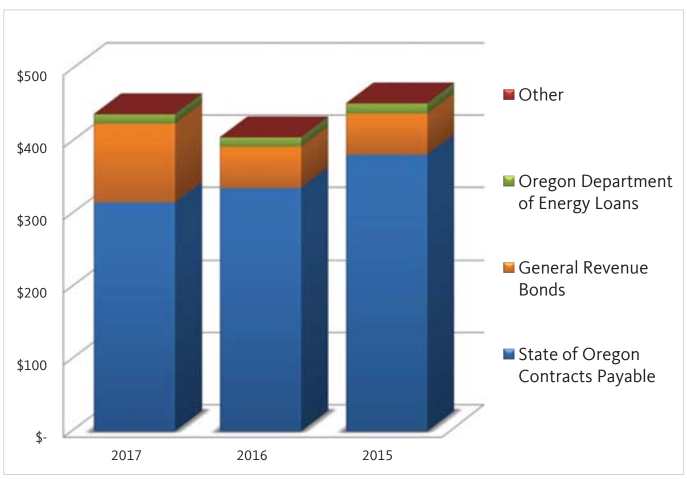
During 2016, long-term debt held by OSU decreased by $47 million, or 10 percent, from $453 million to $406 million.

- Premiums and discounts associated with institution paid legacy debt totaling $30 million were removed in accordance with debt agreements between the State and the University.
- The State issued on behalf of OSU an additional $260 thousand (par value) of new XI-Q General Obligation Bonds earmarked for refunding outstanding COP debt obligations.
- With the $260 thousand of new bond proceeds, the State refunded on behalf of OSU $303 thousand (par value) in COPs.
- OSU made debt service principal payments totalling $15 million on outstanding long-term debt.
- OSU's remaining obligation for accreted interest on outstanding debt decreased by a net $2 million.

See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.

Long-term Debt

(in millions)



Total Liabilities and Deferred Inflows of Resources

Total liabilities increased by $232 million, or 32 percent, during 2017 primarily due to an increase in the net pension liability of $208 million along with an increase in long-term liabilities due to the issuance of Revenue Bonds during 2017. During 2016, total liabilities increased by $73 million, or 11 percent, primarily due to the recording of a $115 million net pension liability that was offset by the removal of $30 million in long-term debt and $15 million in principal payments. See Note 9 and Note 19 for additional information.

Comparison of fiscal year 2017 to fiscal year 2016

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

- Accounts payable and accrued liabilities decreased by $10 million mainly due to a decrease in services and supplies payable associated with capital construction projects.
- Unearned revenues increased by $4 million. Increases in unearned revenue associated with summer session tuition and fees, auxiliaries and other operations were offset by a decrease in unearned revenue associated with grants and contracts.
- The current portion of long-term liabilities increased by less than $1 million due mainly to previously issued debt coming due in the next year.

Noncurrent Liabilities increased by $238 million, or 43 percent.

- The noncurrent portion of long-term debt increased by $30 million. See discussion of Debt Administration earlier in this MD&A for detailed information on this change. See Note 9 for additional information.
- Net pension liability increased by $208 million. See Note 15 Employee Retirement Plans for additional information.

Deferred Inflows of Resources decreased by $25 million or 89 percent. See Note 6 Deferred Outflows and Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2016 to fiscal year 2015

Current Liabilities increased by $6 million, or 3 percent.

- Accounts payable and accrued liabilities increased by $5 million mainly due to an increase in services and supplies payable associated with capital construction projects.
- Unearned revenues increased by $8 million mainly due to an increase in summer session tuition and fees, and an increase in unearned grant and contract revenue.
- The current portion of long-term liabilities decreased by less than $1 million due mainly to the removal of premiums and discounts associated with institution paid legacy debt which would have been due in the coming year.

- Obligations under securities lending decreased by $6 million.

Noncurrent Liabilities increased by $67 million, or 14 percent.

- The noncurrent portion of long-term debt decreased by $48 million. See discussion of Debt Administration earlier in this MD&A for detailed information on this change. See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.
- OSU recorded a $115 million net pension liability as of June 30, 2016 in accordance with the Governmental Accounting Standards Board (GASB) Statement Nos. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. See Note 15 Employee Retirement Plans for additional information.

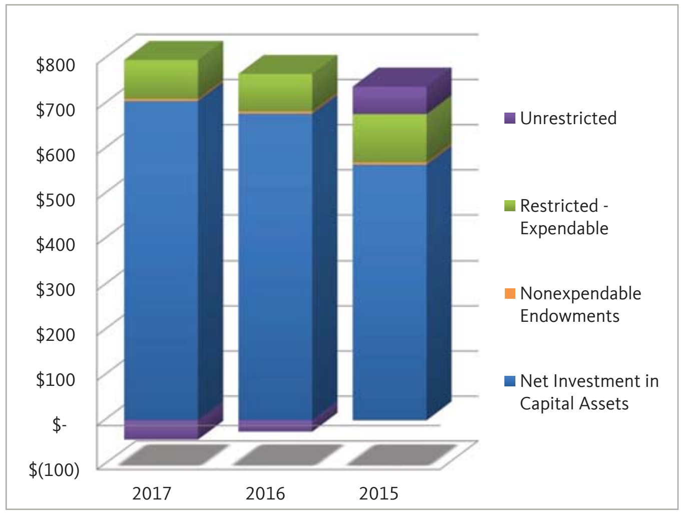
Deferred Inflows of Resources decreased by $51 million or 65 percent. See Note 6 Deferred Outflows and Inflows of Resources for detailed information on this change.

Total Net Position

Total net position (TNP) increased by $13 million, or 2 percent, during 2017. TNP benefited from a $28 million increase in net investment in capital assets, as well as an increase in restricted expendable net position of $3 million, but was negatively impacted by a reduction in unrestricted net position of $18 million. Unrestricted net position was positively impacted by a $22 million increase due to unrestricted operations, which includes education, auxiliary and general business type activities. That increase was offset by a decrease in unrestricted net position of $40 million due to an increase in the net pension liability and associated deferred inflows and outflows.

TNP increased by $3 million, or less than 1 percent, during 2016. TNP benefited from a $113 million increase in net investment in capital assets, but was negatively impacted by decreases in restricted expendable net position and unrestricted net position of $24 million and $86 million, respectively. The decrease in unrestricted net position was primarily due to the recognition of a net pension liability of $115 million in 2016, which replaced a $41 million net pension asset in 2015.

The graph below illustrates how the composition of net position has changed since 2015, primarily due to the removal of state paid debt, and the recognition of OSU's pension liability. (in millions)



Comparison of fiscal year 2017 to fiscal year 2016

Net Investment in Capital Assets increased by $28 million, or 4 percent.

- Capitalized acquisitions net of disposals added $98 million, which was offset by a $43 million increase to accumulated depreciation. Additionally, there was a net increase of $27 million in long-term debt outstanding attributable to the capital assets as a result of a revenue bond sale during fiscal year 2017. See Note 5 Capital Assets and Note 9 for additional information.

Restricted Expendable Net Position increased by $3 million, or 4 percent.

- Net position restricted for gifts, grants and contracts increased by $4 million due primarily to an increase in the market value of endowment funds managed by the OSU Foundation.
- Net positions restricted for student loans, capital projects and debt service were relatively unchanged.

Unrestricted Net Position decreased by $18 million, or 72 percent.

- Improved unrestricted operating performance increased unrestricted net position by $22 million.
- Changes associated with the PERS net pension liability decreased unrestricted net position by $40 million.

See Note 10 Unrestricted Net Position for additional information.

Comparison of fiscal year 2016 to fiscal year 2015

Net Investment in Capital Assets increased by $113 million, or 20 percent.

- Capitalized acquisitions net of disposals added $129 million, which was offset by a $35 million increase to accumulated depreciation. Additionally, there was a net decrease of $19 million in long-term debt outstanding attributable to the capital assets as a result of the removal of premiums, discounts and deferred gain/loss on refundings. See Note 5 Capital Assets, Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.

Restricted Expendable Net Position decreased by $24 million, or 22 percent.

- Net position restricted for capital projects decreased by $17 million due primarily to the spend down of gifts received for capital construction projects.
- Net position restricted for student loans decreased by $3 million due primarily to a return of contributed capital to the federal government related to the Perkins Loan program.
- Net position restricted for gifts, grants and contracts decreased by $4 million due primarily to a decrease in the market value of invested endowments.

Unrestricted Net Position decreased by $86 million, or 141 percent.

- Improved unrestricted operating performance increased unrestricted net position by $2 million.
- Changes associated with the net pension liability decreased unrestricted net position by $93 million.
- Changes associated with the PERS state and local government rate pool (SLGRP), other post-employment benefits (OPEB), and compensated absences increased unrestricted net position by $5 million.

See Note 10 Unrestricted Net Position for additional information.

Statement of Revenues, Expenses and Changes in Net Position

Due to the classification of certain key revenues as non-operating 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 Years Ended June 30,	**2017**	2016	2015
Operating Revenues	**$ 768**	$ 721	$ 686
Operating Expenses	**1,100**	1,093	919
Operating Loss	**(332)**	(372)	(233)
Nonoperating Revenues, Net of Expenses	**295**	286	271
Other Revenues, Net of Expenses	**50**	68	78
Increase (Decrease) in Net Position Prior to Special/Extraordinary	**13**	(18)	116
Special and Extraordinary Items	**-**	21	225
Increase (Decrease) in Net Position After Special/Extraordinary Items	**13**	3	341
Net Position, Beginning of Year	**741**	738	397
Net Position, End of Year	**$ 754**	$ 741	$ 738

Revenues and Special Items

Total revenues increased by $16 million, or 1 percent, in 2017 over 2016. This increase was primarily due to a $47 million increase in operating revenue, offset by an $10 million decrease in nonoperating and other revenue as well as a $21 million decrease in special/extraordinary items.

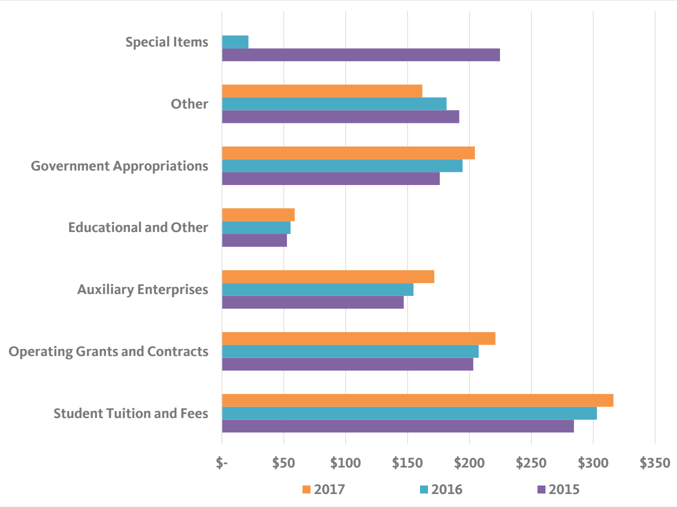
Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)

For the Years Ended June 30,	**2017**	2016	2015
Student Tuition and Fees	**$ 316**	$ 303	$ 284
Grants and Contracts	**221**	208	203
Auxiliary Enterprises	**172**	155	147
Educational and Other	**59**	55	52
Total Operating Revenues	**768**	721	686
Government Appropriations	**204**	194	176
Financial Aid Grants	**43**	47	45
Gifts	**53**	54	54
Investment Activity	**13**	12	15
Capital Grants and Gifts	**49**	68	77
Nonoperating and Other Items	**4**	1	1
Total Nonoperating and Other Revenues	**366**	376	368
Special/Extraordinary Items	**-**	21	225
Total Revenues	**$ 1,134**	$ 1,118	$ 1,279

Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)



Operating Revenues

Operating revenues increased by $47 million in 2017, or 7 percent, over 2016, to $768 million. The increase is due to increases in all categories of operating revenue. Operating revenues increased by $35 million in 2016, or 5 percent, over 2015, to $721 million. The increase is due to increased revenue in most categories of operating revenue with the largest increase occurring in student tuition and fees.

Comparison of fiscal year 2017 to fiscal year 2016

Net Student Tuition and Fees increased by $13 million, or 4 percent.

- Higher tuition and fee rates accounted for $4 million of the increase.
- A 2.9 percent FTE student enrollment increase added $11 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 $13 million, or 7 percent.

- Federal grant and contract revenues increased by $9 million due to continued increases in grants and cooperative agreements.
- State grant and contract revenues increased by $4 million due to increases in grants and cooperative agreements.
- Nongovernmental grant and contract revenues were relatively unchanged.

Auxiliary Enterprise revenues increased by $17 million, or 11 percent.

- Housing and dining revenues increased by $5 million due to increased room and board and miscellaneous meal plan revenue.
- Athletics revenues increased by $9 million primarily as the result of the athletic director contract buy-out, increased ticket sales revenue, conference television revenue and sponsorship revenue.
- Health services revenues increased by $1 million due to increased services revenue.
- Other auxiliary revenues increased by $2 million due mainly to increased conference revenue and student incidental fee revenue.

Educational and Other revenues increased by $4 million, or 7 percent.

- Educational department sales and services revenues increased by $3 million due mainly to increased sales, conference and workshop revenues.
- Other operating revenues increased by less than $1 million.

Comparison of fiscal year 2016 to fiscal year 2015

Net Student Tuition and Fees increased by $19 million, or 7 percent.

- Higher tuition and fee rates accounted for $20 million of the increase. A portion of the rate increase includes the final phase-out of the tuition plateau for students taking between 12 and 15 credit hours per term.
- A 1.5 percent FTE student enrollment increase added $6 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $7 million more than in the prior year.

Federal, State and Nongovernmental Grants and Contracts increased by $5 million, or 2 percent.

- Federal grant and contract revenues increased by $5 million due to an increase in grants and cooperative agreements.
- State and Nongovernmental grant and contract revenues were relatively unchanged, with only a slight decrease in both categories.

Auxiliary Enterprise revenues increased by $8 million, or 5 percent.

- Housing and dining revenues increased by $1 million. An increase in meal plan revenue was somewhat offset by a decrease in room and board revenue.
- Athletics revenues increased by $5 million as the result of increases in revenues from conference bowl

income, athletic conference TV share, sponsorships and guarantees. These increases were slightly offset by decreased ticket revenue.

- Other auxiliary revenues increased by $2 million due mainly to an increase in student incidental fee revenue.

Educational and Other revenues increased by $3 million, or 6 percent.

- Educational department sales and services revenues increased by $4 million due mainly to increased sales from various activities including services, workshops, lease income, surplus sales and non-athletic sponsorships.
- Other operating revenues decreased $1 million. Decreased miscellaneous revenue and reimbursements from outside entities were only slightly offset by increased insurance recoveries.

Nonoperating and Other Revenues

The decrease in total nonoperating and other revenues of $10 million during 2017 resulted mainly from a decrease in capital grants and gifts which was only modestly offset by an increase is government appropriations. The increase in total nonoperating and other revenues of $8 million during 2016 resulted mainly from an increase in government appropriations that was offset by decreases in capital grants and gifts.

Comparison of fiscal year 2017 to fiscal year 2016

Government Appropriations increased by $10 million, or 5 percent.

- State appropriations increased by $8 million due to increased funding received in support of the operations of the University and Statewide Public Services.
- Federal and county appropriations in support of the statewide public services increased by $2 million.
- Debt service appropriations from the State were unchanged.

See Note 14 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $4 million or 9 percent due mainly to decreases in federal Pell and State Opportunity grants.

Gifts decreased by $1 million, or 2 percent. Decreased gifts from commercial, non-affiliated foundations and the OSU Foundation were slightly offset by increased gifts in-kind from various sources.

Investment Activity revenues increased by $1 million, or 8 percent. See Note 12 Investment Activity for additional information relating to these changes.

Capital Grants and Gifts decreased by $19 million or 28 percent, due mainly to decreased XI-G and XI-Q capital grant revenue from the State, offset slightly by increased gift revenue for capital construction from the OSU Foundation.

Nonoperating and Other Items increased by $3 million due mainly to the State refunding previously held XI-F(1) General Obligation Bonds. The refunding resulted in a net reduction in long-term contracts payable by OSU to the State. See Note 9 Long-Term Liabilities for additional information.

Comparison of fiscal year 2016 to fiscal year 2015

Government Appropriations increased by $18 million, or 10 percent.

- State appropriations increased by $18 million due to increased funding received in support of the operations of the University and Statewide Public Services.
- Federal and county appropriations in support of the statewide public services were relatively unchanged; an increase in county appropriations was offset by a decrease in federal appropriations.
- Debt service appropriations from the State were relatively unchanged.

See Note 14 for additional information relating to changes in appropriations.

Financial Aid Grants increased by $2 million or 4 percent due mainly to an increase in State Opportunity Grants.

Gifts were relatively unchanged. An increase in gift revenue from the OSU Foundation was offset by a decrease in private gift revenue.

Investment Activity revenues decreased by $3 million, or 20 percent. See Note 12 for additional information relating to these changes.

Capital Grants and Gifts decreased by $9 million or 12 percent. A decrease in capital gift revenue from the OSU Foundation was slightly offset by an increase in capital grant revenue from the State.

Nonoperating and Other Items were relatively unchanged. Prior year adjustments to fixed assets were mostly offset by a return of contributed capital to the federal government for the Perkins Loan program.

Special and Extraordinary Items

Comparison of fiscal year 2017 to fiscal year 2016

Special and Extraordinary Items decreased to zero. The dissolution of the OUS has been fully realized by the University.

Comparison of fiscal year 2016 to fiscal year 2015

Special and Extraordinary Items represented continued adjustments related to the closing of the OUS Chancellor's Office and the change in legal entity for OSU. This source decreased significantly by $204 million, or 91 percent, to $21 million in fiscal year 2016. Premiums and discounts associated with institution paid legacy debt totaling $30 million were removed from the long-term liabilities of OSU in accordance with the debt agreements between the State and the University. Additionally, $8 million in deferred outflows of resources associated with unamortized gains/losses on refunding of the legacy debt were also removed. See Note 19 Change in Entity for additional information.

Expenses

Operating Expenses

Operating expenses increased by $7 million in 2017, or 1 percent, over 2016, to $1,100 million. Increases in auxiliary programs, public service, institutional support, operations and maintenance of plant, and other operating expenses were largely offset by declines in instruction, research, academic support and student aid.

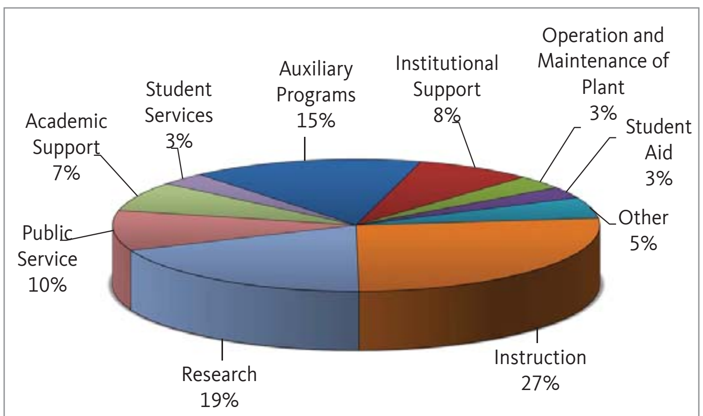
Operating expenses increased by $173 million in 2016, or 19 percent, over 2015, to $1,093 million. The 2016 increase resulted mainly from a $146 million swing in compensation and benefit costs associated with reporting requirements under GASB Statement Nos. 68 and 71.

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

Operating Expenses by Function

For the Years Ended June 30,	**2017**	2016	2015
Instruction	**$ 291**	$ 298	$ 240
Research	**208**	209	180
Public Service	**108**	106	82
Academic Support	**80**	82	61
Student Services	**34**	32	27
Auxiliary Programs	**170**	162	144
Institutional Support	**85**	82	65
Operations & Maintenance of Plant	**36**	34	31
Student Aid	**31**	34	34
Other Operating Expenses	**57**	54	56
Total Operating Expenses	**$ 1,100**	$ 1,093	$ 920

2017 Operating Expenses by Function



Beginning with fiscal year 2015, the implementation of GASB Statement Nos. 68 and 71 had a profound impact on the operating expenses reported by OSU. As the tables below reflect, when the impact of Statement Nos. 68 and 71 are removed, all functional expense categories, with the exception of student aid, increased in 2017, and most categories increased in 2016 as well.

The following tables show the effect of GASB Statement Nos. 68 and 71 on operating expenses across the functional classifications (in millions):

Effect of GASB Statement Nos. 68 and 71 on Expenses by Function

For the Year Ended June 30, 2017	As Reported	Without GASB 68/71	Difference
Instruction	$ 291	$ 279	$ 12
Research	208	202	6
Public Service	108	103	5
Academic Support	80	76	4
Student Services	34	32	2
Auxiliary Programs	170	165	5
Institutional Support	85	81	4
Operation & Maintenance of Plant	36	35	1
Student Aid	31	31	-
Other Operating Expenses	57	56	1
Total Operating Expenses	**$ 1,100**	**$ 1,060**	**$ 40**

For the Year Ended June 30, 2016	As Reported	Without GASB 68/71	Difference
Instruction	$ 298	$ 270	$ 28
Research	209	195	14
Public Service	106	94	12
Academic Support	82	73	9
Student Services	32	28	4
Auxiliary Programs	162	151	11
Institutional Support	82	72	10
Operation & Maintenance of Plant	34	31	3
Student Aid	34	34	-
Other Operating Expenses	54	52	2
Total Operating Expenses	$ 1,093	$ 1,000	$ 93

For the Year Ended June 30, 2015	As Reported	Without GASB 68/71	Difference
Instruction	$ 240	$ 259	$ (19)
Research	180	189	(9)
Public Service	82	88	(6)
Academic Support	61	66	(5)
Student Services	27	29	(2)
Auxiliary Programs	144	149	(5)
Institutional Support	65	70	(5)
Operation & Maintenance of Plant	31	32	(1)
Student Aid	34	34	-
Other Operating Expenses	56	57	(1)
Total Operating Expenses	$ 920	$ 973	$ (53)

Cumulatively, over the last three years, GASB Statement Nos. 68 and 71 have increased compensation and benefits and total operating expenses by $80 million. The bulk of this impact was recognized in 2016 when the $41 million net pension asset recorded in 2015 was replaced with a $115 million net pension liability.

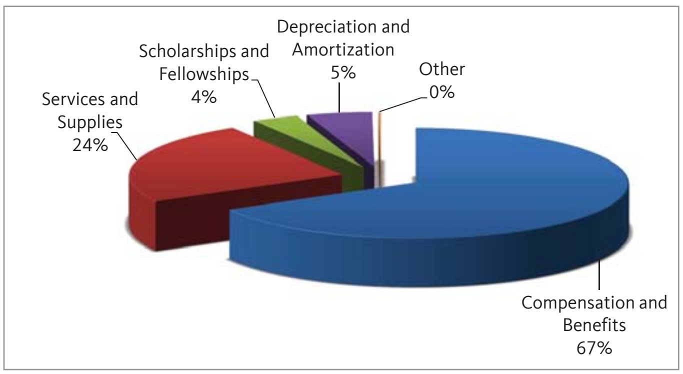
Operating Expenses by Natural Classification

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 multiple functional expense caption items. See Note 13 Operating Expenses by Natural Classification for additional information.

THE FOLLOWING SUMMARIZES OPERATING EXPENSES BY NATURAL CLASSIFICATION (IN MILLIONS):

For the Years Ended June 30,	**2017**	2016	2015
Compensation and Benefits	**$ 736**	$ 747	$ 574
Services and Supplies	**268**	254	255
Scholarships and Fellowships	**39**	40	39
Depreciation and Amortization	**55**	50	50
Other	**2**	2	2
Total Operating Expenses	**$ 1,100**	$ 1,093	$ 920

2017 Operating Expenses by Natural Classification



Comparison of fiscal year 2017 to fiscal year 2016

Compensation and Benefit costs decreased by $11 million, or 1 percent.

- Salary and wage costs increased by $24 million due to additional staff and faculty hires combined with wage increases.
- Wage costs further increased by $4 million due to increased student and graduate employment.
- Retirement and health insurance costs increased by $10 million.
- Other payroll expenses increased by $2 million.
- Adjustments and accruals to compensation and benefits associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by $53 million. See Note 15 Employee Retirement Plans, Change in Plan Provisions for additional information on this variance.
- Other year-end accruals associated with other post-employment benefits (OPEB) and other accruals increased by $2 million.

Services and Supplies expenses increased by $14 million, or 6 percent.

- Increases in supplies, utilities, maintenance and repairs, rentals and leases, fees and services, and medical/scientific services and supplies were slightly offset by decreases in subcontract expenses.

Scholarships and Fellowships costs decreased by $1 million, or 3 percent.

- Decreases in federal, state, institutional and OSU Foundation aid was only slightly offset by increases in private aid.

Depreciation and Amortization expense increased by $5 million, or 10 percent. During 2017, $156 million in capital projects were completed and placed into service, including the Valley Football Center Renovation, Johnson Hall, and the Cascades Residence, Dining, and Tykeson Hall buildings.

Comparison of fiscal year 2016 to fiscal year 2015

Compensation and Benefit costs increased by $173 million, or 30 percent.

- Salary and wage costs increased by $16 million due to additional staff and faculty hires combined with wage increases.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Retirement and health insurance costs increased by $9 million.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 resulted in a net increase of $146 million in compensation and benefits expense. See Note 15 for additional information on this variance.
- Other year-end accruals associated with other post-employment benefits (OPEB) and other accruals decreased by $1 million.

Services and Supplies expenses decreased by $1 million, or less than 1 percent.

- Increases in expenses for communications, rentals and leases, fees and services, travel and subcontract awards were offset by decreases in expenses for supplies, maintenance and repairs, and other services and supplies.

Scholarships and Fellowships costs increased by $1 million, or 3 percent.

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

Nonoperating Expenses

Comparison of fiscal year 2017 to fiscal year 2016

Interest Expense increased by less than $1 million, or 3 percent, due primarily to increased revenue bond interest, slightly offset by decreased interest expense for other types of bond debt.

Gain (Loss) on Sale or Disposal of Fixed Assets decreased by less than $1 million or 48 percent due to fewer disposals in fiscal year 2017.

Comparison of fiscal year 2016 to fiscal year 2015

Interest Expense increased by $2 million, or 12 percent, due primarily to the first year payment of revenue bond interest, slightly offset by a decrease in other bond interest expense.

Gain (Loss) on Sale or Disposal of Fixed Assets was relatively unchanged. Gains and losses on disposal of assets was essentially the same as the prior year.

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 increases in the last two biennial budgets), 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.

Enrollment changes can have the greatest impact on the operating budget. While changes in individual enrollment categories vary, overall fall enrollment is expected to moderately increase. Ecampus will likely have the largest increase, and non-resident enrollments indicate better than expected growth.

Research awards to OSU have grown each year since 2013. The 2017 fiscal year is the third year in a row with record levels of awards. As expenditures of those awards flow through future financial statements, of particular note will be the $122 million from the National Science Foundation for a new regional research vessel to be stationed at the university's Hatfield Marine Science Center in Newport.

The volatility of state funding levels has been a significant challenge for public universities in Oregon. Between 2007-2009 and 2013-2015, the State reduced its total support to public universities by 11 percent. However, total funding for 2015-2017 was a 27.5 percent increase over 2013-2015. This upswing continued, although at a slower pace, with the 2017-2019 total funding increase of 14 percent over 2015-2017. Long-term pressures on State resources from health-care and retirement obligations diminish the likelihood of this trajectory continuing into 2019-2021 and beyond.

OSU is ultimately subject to the same economic variables that affect other entities but maintains its focus on providing 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 2017	2016
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 62,997	$ 47,697
Collateral from Securities Lending (Note 2)	5,988	7,247
Accounts Receivable, Net (Note 3)	114,861	131,590
Notes Receivable, Net (Note 4)	4,469	4,045
Inventories	1,758	1,925
Prepaid Expenses	6,154	8,039
Total Current Assets	**196,227**	200,543
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	26,553	8,016
Investments (Note 2)	184,643	177,787
Notes Receivable, Net (Note 4)	18,523	17,903
Capital Assets, Net of Accumulated Depreciation (Note 5)	1,126,879	1,071,600
Total Noncurrent Assets	**1,356,598**	1,275,306
Total Assets	**$ 1,552,825**	$ 1,475,849
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 170,999**	$ 28,203
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 72,758	$ 82,877
Deposits	2,036	1,734
Obligations Under Securities Lending (Note 2)	5,988	7,247
Current Portion of Long-Term Liabilities (Note 9)	42,021	41,228
Unearned Revenues	57,052	52,692
Total Current Liabilities	**179,855**	185,778
Noncurrent Liabilities		
Long-Term Liabilities (Note 9)	464,176	434,306
Net Pension Liability (Note 15)	322,538	114,748
Total Noncurrent Liabilities	**786,714**	549,054
Total Liabilities	**$ 966,569**	$ 734,832
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 3,068**	$ 27,943
NET POSITION		
Net Investment in Capital Assets	$ 705,793	$ 678,484
Restricted For:		
Nonexpendable Endowments	5,135	4,956
Expendable:		
Gifts, Grants and Contracts	46,121	41,907
Student Loans	32,253	31,862
Capital Projects	5,708	5,565
Debt Service	2,652	3,334
Unrestricted (Note 10)	(43,475)	(24,831)
Total Net Position	**$ 754,187**	$ 741,277

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

As of June 30,	Component Units 2017	Component Units 2016
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	$ 18,294	$ 5,244
Investments	642,846	595,871
Contributions, Pledges and Grants Receivable, Net	45,465	51,534
Assets Held-For-Sale	4,759	4,299
Assets Held Under Split-Interest Agreements	54,382	52,233
Charitable Trusts Held Outside the Foundation	13,480	15,706
Prepaid Expenses and Other Assets	2,568	3,157
Property and Equipment, Net	6,074	4,842
Total Assets	**$ 787,868**	$ 732,886
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 12,261	$ 7,179
Endowment Assets Held for OSU	46,046	42,476
Accounts Payable to the University	4,477	3,512
Obligations to Beneficiaries of Split-Interest Agreements	23,315	23,716
Deposits and Unearned Revenue	8,228	8,160
Long-Term Liabilities	6	8
Total Liabilities	**94,333**	85,051
NET ASSETS		
Unrestricted	5,242	(10,085)
Temporarily Restricted	287,957	272,133
Permanently Restricted	400,336	385,787
Total Net Assets	**693,535**	647,835
TOTAL LIABILITIES AND NET ASSETS	**$ 787,868**	$ 732,886

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

For the Years Ended June 30,	University 2017	University 2016
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $75,229 and $73,333, respectively)	$ 316,310	$ 302,949
Federal Grants and Contracts	184,785	176,078
State and Local Grants and Contracts	13,886	9,272
Nongovernmental Grants and Contracts	22,329	22,102
Educational Department Sales and Services	49,558	46,651
Auxiliary Enterprises (Net of Allowances of $3,183 and $2,850, respectively)	171,518	154,722
Other Operating Revenues	9,248	8,806
Total Operating Revenues	**767,634**	720,580
OPERATING EXPENSES		
Instruction	290,915	298,184
Research	208,114	208,971
Public Service	107,743	105,157
Academic Support	79,932	81,854
Student Services	33,980	32,409
Auxiliary Programs	169,594	161,825
Institutional Support	85,183	82,001
Operation and Maintenance of Plant	36,484	34,269
Student Aid	30,637	34,264
Other Operating Expenses	57,097	54,248
Total Operating Expenses (Note 13)	**1,099,679**	1,093,182
Operating Loss	**(332,045)**	(372,602)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 14)	203,295	193,377
Financial Aid Grants	43,177	47,093
Gifts	52,591	53,751
Investment Activity (Note 12)	12,800	11,925
Gain (Loss) on Sale of Assets, Net	(673)	(1,287)
Interest Expense	(20,626)	(19,944)
Other Nonoperating Items	4,497	975
Total Net Nonoperating Revenues	**295,061**	285,890
Loss Before Other Revenues	**(36,984)**	(86,712)
OTHER REVENUES		
Debt Service Appropriations (Note 14)	1,084	1,084
Capital Grants and Gifts	48,631	67,614
Changes to Permanent Endowments	179	129
Total Net Other Revenues	**49,894**	68,827
Increase (Decrease) In Net Position Prior to Special/Extraordinary Items	**12,910**	(17,885)
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 19)	-	21,431
Increase In Net Position After Special/Extraordinary Items	**12,910**	3,546
NET POSITION		
Beginning Balance	741,277	737,731
Ending Balance	**$ 754,187**	$ 741,277

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

For the Years Ended June 30,	Component Units 2017	Component Units 2016
	(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 6,347	$ 6,005
Interest and Dividends	3,657	3,189
Investment Income (Loss), Net	16,783	(11,297)
Net Assets Released From Restrictions and Other Transfers	87,548	76,420
Other Revenues	15,894	15,546
Total Revenues	**130,229**	89,863
EXPENSES		
University Support	78,808	72,561
Management, General and Development Expenses	24,202	21,900
Investment Expense	11,892	9,923
Total Expenses	**114,902**	104,384
Increase (Decrease) In Unrestricted Net Assets	**15,327**	(14,521)
Beginning Balance, Unrestricted Net Assets	(10,085)	4,436
Ending Balance, Unrestricted Net Assets	**$ 5,242**	$ (10,085)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 46,771	$ 66,961
Interest and Dividends	9,534	10,342
Investment Income, Net	43,888	73
Change in Value of Life Income Agreements	417	(117)
Other Revenues	3,058	7,498
Net Assets Released From Restrictions and Other Transfers	(87,844)	(77,426)
Increase In Temporarily Restricted Net Assets	**15,824**	7,331
Beginning Balance, Temporarily Restricted Net Assets	272,133	264,802
Ending Balance, Temporarily Restricted Net Assets	**$ 287,957**	$ 272,133
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 12,310	$ 11,511
Interest and Dividends	129	130
Investment Loss, Net	(109)	(49)
Change in Value of Life Income Agreements	1,862	(1,152)
Other Revenues	61	149
Net Assets Released From Restrictions and Other Transfers	296	1,006
Increase In Permanently Restricted Net Assets	**14,549**	11,595
Beginning Balance, Permanently Restricted Net Assets	385,787	374,192
Ending Balance, Permanently Restricted Net Assets	**$ 400,336**	$ 385,787
Beginning Balance	$ 647,835	$ 643,430
Increase In Total Net Assets	**45,700**	4,405
Ending Balance	**$ 693,535**	$ 647,835

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

For the Years Ended June 30,	University 2017	University 2016
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 314,054	$ 310,418
Grants and Contracts	230,504	202,709
Educational Department Sales and Services	50,960	46,651
Auxiliary Enterprise Operations	171,246	154,077
Payments to Employees for Compensation and Benefits	(697,330)	(654,630)
Payments to Suppliers	(279,522)	(254,594)
Student Financial Aid	(38,835)	(40,162)
Other Operating Receipts	8,960	186
Net Cash Used by Operating Activities	**(239,963)**	(235,345)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	203,295	193,377
Financial Aid Grants	43,177	47,093
Private Gifts Received for Endowment Purposes	179	129
Other Gifts and Private Contracts	52,591	53,751
Net Agency Fund Receipts (Payments)	302	(799)
Net Cash Provided by Noncapital Financing Activities	**299,544**	293,551
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	1,084	1,084
Capital Grants and Gifts	58,942	82,816
Bond Proceeds from Capital Debt	52,355	260
Sales of Capital Assets	151	1,306
Purchases of Capital Assets	(106,636)	(146,162)
Interest Payments on Capital Debt	(21,037)	(19,729)
Principal Payments on Capital Debt	(16,542)	(16,882)
Net Cash Used by Capital and Related Financing Activities	**(31,683)**	(97,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	(6,093)	(15,270)
Interest Receipts on Investments and Cash Balances	12,032	12,257
Net Cash Provided (Used) by Investing Activities	**5,939**	(3,013)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**33,837**	(42,114)
CASH AND CASH EQUIVALENTS		
Beginning Balance	55,713	97,827
Ending Balance	**$ 89,550**	$ 55,713

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

For the Years Ended June 30,	University 2017	University 2016
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (332,045)	$ (372,602)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	54,757	50,520
Changes in Assets and Liabilities:		
Accounts Receivable	4,774	(16,711)
Notes Receivable	(1,044)	1,793
Inventories	167	(10)
Prepaid Expenses	1,885	(3,705)
Pension Expense Changes Related to Net Pension Asset	40,124	93,201
Accounts Payable and Accrued Liabilities	(12,436)	6,361
Long-Term Liabilities	(505)	(2,571)
Unearned Revenues	4,360	8,379
NET CASH USED BY OPERATING ACTIVITIES	**$ (239,963)**	$ (235,345)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	$ 1,644	$ 1,016
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	768	(332)
Removal of State Paid Debt	-	21,352
Capital Assets Acquired by Accounts Payable	2,028	-

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 a comprehensive public university governed by the Oregon State University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the State Senate. OSU serves as the state of Oregon's land-, sea-, space-, and sun-grant university.

The OSU financial reporting entity is comprised of OSU and two related foundations, which are discretely presented as component units on the basic financial statements under the guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Discretely presented means that the statements are included separately in the financial report. 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 Service, and Forestry Research Laboratories. See Note 21 University Foundations for additional information regarding the related foundations reported as Component Units. The Governor of the State of Oregon (State) appoints the OSU Board of Trustees, and because OSU receives some financial support from the State, OSU is a discretely presented component unit of the State and is included in the State's Comprehensive Annual Financial Report (CAFR).

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, modified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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, interfund transfers between university funds and internal revenues and expenses associated with self-supporting auxiliary and service center operations have been eliminated.

Financial statements of the OSU foundations for the fiscal years ended June 30, 2017 and 2016 are discretely presented as discussed above. The foundations' financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been consolidated and reported on separate pages following the respective counterpart financial statements of the University. No modifications have been made to the foundations' financial information included in the University's financial report.

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.

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

There were no new GASB standards effective for fiscal year 2017 that had a significant impact on OSU.

UPCOMING ACCOUNTING STANDARDS

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 does not currently have enough information from the Public Employees Benefit Board (PEBB) actuary to determine the potential financial impact of GASB Statement No. 75. However, the adoption is expected to cause an expansion in the required note disclosures and could potentially impact the amount of the OPEB liability.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81, effective for the fiscal year ending June 30, 2018, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. OSU holds two remainder interest trust agreements in their quasi-endowments. OSU is analyzing the effects of the adoption of GASB Statement No. 81 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligation*s. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset and is effective for the fiscal year ending June 30, 2019. It establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. OSU has asset retirement liabilities that are subject to the requirements of GASB Statement No. 83. The University is in the process of completing a full review of its assets to identify any additional liabilities, and anticipates that the implementation of GASB Statement No. 83 will have a material impact on Net Position.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and guidance on how to report activities meeting the criteria in a fiduciary fund in the basic financial statements. The Statement is effective for the fiscal year ending June 30, 2020 and will apply to custodial funds, primarily for student groups, held by the University.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)) and is effective for the fiscal year ending June 30, 2019. OSU is analyzing the effects of the adoption of GASB Statement No. 85 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In June 2017, GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 improves the accounting and financial reporting for leases and is effective for the fiscal year ended June 30, 2021. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. This Statement will substantially impact the University's lease accounting and reporting.

Between July 2016 and June 2017, GASB issued the following statement which does not currently apply to OSU, but could under certain circumstances: Statement No. 86, *Certain Debt Extinguishment*.

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, cash held for the payment of the current portion of debt service, and cash held as a fiduciary agent for student groups. Cash and cash equivalents classified as non-current assets consist of: Student Building Fee cash held for future debt service and cash for capital construction projects. See Note 2 Cash and Investments, Section A Cash and Cash Equivalents for disclosure of restricted portions of cash and cash equivalents.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized and realized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position. See Note 12 Investment Activity for additional information. All investments are classified as noncurrent assets in the Statement of Net Position.

F. Receivables

Accounts receivable consists primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable for tuition and fee charges are recorded net of estimated uncollectible amounts in accordance with generally accepted accounting principles. Grants and contracts receivable include amounts due from Federal, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Capital Construction receivables include amounts due from the State in connection with reimbursement of allowable expenditures made pursuant to the grant agreements between the University and the State for facilities projects funded by the State.

Notes receivable consist primarily of student loans receivable due from the Federal Perkins Loan Program, and from other loans administered by the University. Construction loans receivable are reimbursements receivable from the State in connection with allowable expenditures made pursuant to contracts between the University and the State for various facility projects initially funded by the University. Construction reimbursements can be current or long term depending on the estimated timing of completion of associated construction projects. The University does not currently hold any notes receivable from the State related to construction reimbursements.

G. Inventories

Inventories are recorded at cost, with cost being generally determined on a first-in, first-out or average basis. Inventories consist primarily of supplies in storerooms and physical plant stores.

H. 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 $5,000 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 $50,000 to $100,000, depending on the type of real property. Intangible assets valued in excess of $100,000 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 as part of the historical cost of acquiring capital assets. Based on the rates of its debt borrowings, the University calculates a weighted composite interest rate and applies it to capital outlays to calculate capitalized interest. The amount of interest capitalized is the portion of the interest cost incurred during the assets' acquisition periods that could have been avoided if outlays for the assets had not been made. The University incurred interest costs related to the acquisition and construction of capital assets of $19,104,113 and $18,075,944, of which $699,642 and $783,034, was capitalized, for fiscal years ended June 30, 2017 and 2016, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. This is generally 50 years for buildings; 25 years for major renovations/additions to buildings; 10 to 20 years for infrastructure and land improvements, and 5 to 11 years for non-expendable assets. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to land, museum collections, works of art, historical treasures, or library special collections.

I. 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 for the subsequent fiscal year(s).

J. 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. An estimate is made to allocate this liability between its current and noncurrent components.

Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists.

K. Net Pension Liability

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, are actuarially determined at the system-wide Retirement Plan level and are allocated to employers based on their proportionate share. OSU is included in the proportionate share for all state agencies. The University's proportionate share of all state agencies is allocated to OSU by the Oregon Department of Administrative Services.

L. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods, and have a positive effect on net position that is similar to assets, but they are not considered assets. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods, and have a negative effect on net position that is similar to liabilities, but they are not considered liabilities. Deferred outflows and inflows are related to defined benefit pension plans and to net fair value gains or losses on forward foreign currency contracts. See Note 2 Cash and Investments, Section A Foreign Currency Risk-Deposits and Note 6 Deferred Outflows and Inflows of Resources.

M. 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, plus unspent bond proceeds and 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 position represents resources that may be used at the discretion of the Board.

N. Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the University in accordance with the University's strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are often times split-funded from multiple restricted and unrestricted funding sources.

O. Endowments

The University manages timber and forestry land endowments, while all other endowments are managed by the OSU Foundation. The University endowment assets managed by the OSU Foundation are invested with the objectives of long-term capital appreciation and stable but growing income. The University Board policy is to distribute

4.5 percent of the preceding 12-quarter moving average of the endowment market value for spending purposes.

Net appreciation of endowments is included in restricted expendable gifts, grants, and contracts on the Statement of Net Position.

Non-expendable endowments on the Statement of Net Position at June 30, 2017, represents the original corpus of true endowment funds of $2,384,154 and the full non-expendable fair value of the real estate endowments of $2,750,952. Nonexpendable endowments on the Statement of Net Position at June 30, 2016, represents the original corpus of true endowment funds of $2,384,320 and the full non-expendable fair value of the real estate endowments of $2,572,074.

The University's endowments are identified and invested as follows (in thousands):

	June 30, 2017	June 30, 2016
True Endowments		
Corpus	**$ 2,384**	$ 2,384
Market Valuation	**1,964**	1,669
Real Estate	**2,751**	2,572
Total	**7,099**	6,625
Quasi-Endowments		
Corpus	**18,354**	18,336
Market Valuation	**23,671**	20,518
Real Estate	**1,757**	2,120
Total	**43,782**	40,974
Total Fair Value of Endowments	**$ 50,881**	$ 47,599
Invested Endowments:		
Timber and Forestry Land Held by OSU	**$ 4,508**	$ 4,692
Invested by OSU Foundation	**46,046**	42,476
Invested in the Public University Fund (PUF)	**207**	299
Total Invested Endowments	**50,761**	47,467
Endowment Cash in PUF	**120**	132
Total Fair Value of Endowments	**$ 50,881**	$ 47,599

P. 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 2017.

Q. 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 and expenses 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 government 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.

R. State Support

OSU receives support from the State in the form of General Fund and Lottery appropriations and debt service appropriations for some Oregon Department of Energy loans. See Note 14 Government Appropriations for details on appropriations.

In addition to appropriations, the State provides funding for plant facilities on the University's campus. Capital projects for new facilities and capital improvements and repair are funded by philanthropy, State-paid debt, and University-paid debt and resources. The State Legislature considers projects from all seven public universities for allocation of Oregon's bonding capacity. Funds for capital projects funded by State-paid debt are provided through grant agreements between OSU and the State. Revenue is recorded as Capital Grants in the Statement of Revenues, Expenses and Changes in Net Position when appropriate expenditures are reimbursable per the grant agreements. Funds for capital projects funded by University-paid debt can also be funded through Oregon's bonding capacity. At the time that the bonds are sold, the State instructs OSU to record a liability to the State for the debt, and a receivable for construction reimbursements. The receivable is reduced as expenditures on the capital project are completed and reimbursed by the State.

Facilities funded by philanthropy, State-paid debt and University-paid debt are reflected as completed assets or construction in progress in the accompanying Statement of Net Position. University-paid debt relating to bonds issued by the State are primary obligations of the State. OSU is contractually committed to pay the State to fund the retirement of debt obligations issued on its behalf. These contracts are included as current and long-term liabilities in the Statement of Net Position.

S. 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 University's stated rates and charges and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance.

OSU has three types of allowances that are netted against gross tuition and fees and housing revenues. Tuition and housing waivers, provided directly by OSU, amounted to $37,680,269 and $35,914,266 for the fiscal years ended 2017 and 2016, 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 $38,005,374 and $38,258,671 for the fiscal years ended 2017 and 2016, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,726,211 and $2,010,512 for the fiscal years ended 2017 and 2016, respectively.

T. 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 $139,233,971 and $146,134,803 for the fiscal years ended 2017 and 2016, respectively.

U. Deposit Liabilities

Deposit Liabilities primarily consist of fund balances held by OSU on behalf of student groups and organizations that account for activities in the OSU accounting system and whose cash is part of the cash held on deposit with the State Treasury.

V. 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.

W. Reclassifications

Certain amounts within the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. The reclassifications had no effect on previously reported total net position and do not constitute a restatement of prior periods.

2. CASH AND INVESTMENTS

At June 30, 2017 and 2016, the majority of the cash and investments of OSU were held in custody with the Oregon State Treasury (State Treasury). The State Treasury manages these invested assets through commingled investment pools. The operating funds for OSU are commingled with operating cash and investments from five 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 for the respective investment pool. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies, activities, and performance for each investment pool held in the PUF.

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

For 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

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2017 and 2016, as follows: (in thousands)

	June 30, 2017	June 30, 2016
Current		
Unrestricted	**$ 31,169**	$ 21,804
Restricted For:		
Endowment	**114**	124
Student Aid	**3,228**	2,869
Debt Service	**1,089**	575
Payroll Withholdings	**21,232**	20,603
Student Groups and Campus Organizations	**1,658**	1,533
US Bank (Perkins)	**4,328**	-
Petty Cash	**176**	185
Foreign Currency Fair Value	**3**	4
Total Current	**62,997**	47,697
Noncurrent		
Unrestricted	**1,225**	908
Restricted For:		
Capital	**25,328**	7,108
Total Noncurrent	**26,553**	8,016
Total	**$ 89,550**	$ 55,713

Noncurrent, unrestricted cash consists primarily of student building fee funds, which were historically restricted for future debt service payments. The Board of Trustees now has spending authority over these funds, which are no longer restricted. Currently, the Board has no plans to spend these funds in the next fiscal year, as these funds will be used on future debt service payments. As such, the University has classified these amounts as noncurrent. The portion of the student building fee funds that will be used for debt service payable in 2018 is reported as current cash.

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 short-term cash and investment pool available for use by all state agencies or by agreement for related agencies, such as OSU. The State Treasurer invests these deposits in high-grade short-term investment securities. Since OSU banks through the State Treasury, the University does not have a statutory requirement to collateralize deposits but is contractually obligated through their banking agreement with the State to collateralize deposits within 24 hours of receipt. At fiscal years ended June 30, 2017 and 2016, OSU cash and cash equivalents on deposit at State Treasury were $85,043,039 and $55,523,315, respectively.

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. The University and State do not have formal policies regarding custodial credit risk for deposits. However, banking regulations and Oregon Revised Statute (ORS) Chapter 295 establish the insurance and collateral requirements for deposits in the OSTF. OSU cash balances held on deposit at the State Treasury are invested continuously, therefore custodial credit risk exposure to the State Treasury is low. Additionally, cash balances on deposit with US Bank are collateralized, therefore invested continuously, resulting in low credit risk.

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 $90,794 and $77,637 at June 30, 2017 and 2016, 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, 2017 and 2016, respectively, these contracts totaled $603,159 and $293,711. Contracts at June 30, 2017, had a net fair value gain of $3,443. Contracts at June 30, 2016, had a net fair value gain of $4,406.

June 30, 2017
(in thousands)

Notional		**Principal**	**Effective**	**Maturity**	**Contract**	**Fair**
Currency	**Amount**	**Amount**	**Date**	**Date**	**Rate**	**Value Adj.**
EUR	**$ 449**	**$ 567**	**5/15/2017**	**4/30/2018**	**$ 1.1325**	**$ 4**
JPY	**10,460**	**103**	**5/9/2017**	**4/2/2018**	**0.0090**	**(1)**

June 30, 2016
(in thousands)

Notional		Principal	Effective	Maturity	Contract	Fair
Currency	Amount	Amount	Date	Date	Rate	Value Adj.
EUR	$ 239	$ 265	8/13/2015	9/30/2016	$ 1.1075	$ 1
JPY	3,394	29	8/12/2015	10/31/2016	0.0086	3

The net fair value gain is reported in deferred inflows of resources on the Statement of Net Position. The net fair value loss is reported in deferred outflows of resources on the Statement of Net Position.

OTHER DEPOSITS

For the year ended June 30, 2017, OSU had cash at US Bank held for Title IV Perkins Loans of $4,327,765. Additionally, for the years ended June 30, 2017 and 2016, OSU had vault and petty cash balances of $176,044 and $185,188, respectively.

B. Investments

OSU's operating funds are invested in the PUF. The majority of the endowments are separately invested through the OSU Foundation as the investment manager. Additionally, there is a small number of endowments invested through the PUF. The OSU endowment assets are managed by the University with consultation from its investment manager. As of June 30, 2016, investments in the PUF were invested through two separate pools – the Intermediate Term Fixed Income Pool (OITP) and the Long-Term Fixed Income Pool (LTP). As of April 3, 2017, the investment strategy and underlying securities of the two investment pools were combined into one pool, known as the Core Bond Fund.

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 OIC.

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, 2017 and 2016.

OSU's investments are classified and invested as follows (in thousands):

	June 30, 2017	June 30, 2016
Operating Funds		
PUF Core Bond Fund	**$ 133,882**	$ -
PUF OIT Pool	**-**	82,399
PUF LT Pool	**-**	47,921
Total Operating Funds	**133,882**	130,320
Endowment Funds		
Invested by OSU Foundation	**46,046**	42,476
Timber and Forestry Land	**4,508**	4,692
PUF Core Bond Fund	**207**	-
PUF OIT Pool	**-**	189
PUF LT Pool	**-**	110
Total Endowment Funds	**50,761**	47,467
Total Investments	**$ 184,643**	$ 177,787

Investments of the OSU discretely presented component units are summarized at fair value as follows (in thousands):

	June 30, 2017	June 30, 2016
Investment Type:		
Mutual Funds, Corporate Stocks and Corporate Bonds	$ 88,741	$ 274,425
Limited Partnerships	229,507	167,755
Global Bonds	46,840	53,197
International Equity	185,841	40,575
Direct Equity Holdings	40,553	22,385
Real Estate Held for Investments	20,644	14,940
Government Securities and Municipal Bonds	12,250	12,183
Certificates of Deposit	194	208
Investment Receivables	8,185	193
Other	10,091	10,010
Total Investments	**$ 642,846**	$ 595,871

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OSU has separate investment policies for its operating and endowment assets. As of June 30, 2017, approximately 99 percent of the investments in the PUF are subject to credit risk reporting. Fixed income securities in the PUF 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 $272,150,701. Fixed income securities which have not been evaluated by the rating agencies totaled $37,721,349. The PUF Core Bond Fund totaled $312,900,263, of which OSU owned $134,088,603, or 43 percent. All of the OSU endowments managed by the OSU Foundation were held in mutual funds which have not been evaluated by the rating agencies.

As of June 30, 2016, approximately 99 percent of the 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 $305,760,276. Fixed income securities which have not been evaluated by the rating agencies totaled $10,934,785. The PUF Investment Pools totaled $321,408,710, of which OSU owned $130,619,776, or 41 percent. All of the OSU endowments managed by the OSU Foundation were held in mutual funds which have not been evaluated by the rating agencies.

CUSTODIAL CREDIT RISK—INVESTMENTS

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The OIC has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2017 and 2016, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

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 for fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer or no more than three percent of the individual issue. Per policy, the PUF held no securities from a single issuer that exceeded five percent of the bond portfolio.

FOREIGN CURRENCY RISK—INVESTMENTS

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Per PUF investment policy, all investments are to be in U.S. dollar denominated securities, therefore no amounts of the PUF investments had reportable foreign currency risk at June 30, 2017 or 2016.

Of the OSU Endowments invested by the OSU Foundation at June 30, 2017, $15,563,645, or 33.8 percent, were held subject to foreign currency risk. At June 30, 2016, $12,471,131, or 29.4 percent were held subject to foreign currency risk.

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, 2017, securities held in the PUF Core Bond Fund subject to interest rate risk totaled $309,872,051 and had an average duration of 3.91 years. Additionally, securities of the OSU Endowment investments held subject to interest rate risk totaling $4,742,768 had an average duration of 3.4 years. As of June 30, 2016, securities held in the PUF Investment Pool subject to interest rate risk totaled $316,695,061 and had an average duration of 3.0 years. Additionally, securities of the OSU Endowment investments held subject to interest rate risk totaling $5,737,772 had an average duration of 6.05 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

FAIR VALUE MEASUREMENT

Investments are reported at estimated fair value as determined by State Treasury, based on a fair value hierarchy which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable. These are only used if relevant Level 1 and Level 2 inputs are not available.

Inputs are used in applying valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. In addition to the underlying reported net asset values (NAV), which generally serve as the primary valuation input, other inputs may include liquidity factors and broad credit data. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

OSU's investments in the PUF are not required to be leveled as per GASB Statement No. 72. OSU's investments at the OSU Foundation are all level 3 since the underlying inputs are unobservable.

As of June 30, 2017 and 2016, respectively, OSU's investment in timber and forestry land was valued at $4,507,593 and $4,692,076. This investment is a natural resource investment and is therefore required to be reported at fair value. In order to obtain the value of the timber and the land, a professional timber cruise is performed every five years, and interim valuations are conducted by professionals within the OSU College of Forestry every year-end. The periodic timber cruise and annual valuation is a level 3 input.

COMPONENT UNIT INVESTMENTS BY LEVEL

The following tables present the component unit investments by level within valuation hierarchy as of June 30, 2017 and 2016:

	Assets at fair value as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled Investment Program	**$ 138,764**	**$11,378**	**$ 372,956**	**$ 523,098**
Investment Property	**-**	**-**	**20,644**	**20,644**
Mortgages and Contracts	**-**	**-**	**6,125**	**6,125**
Other Nonpooled Investments	**70,488**	**-**	**22,491**	**92,979**
Total Investments	**$ 209,252**	**$11,378**	**$ 422,216**	**$ 642,846**

	Assets at fair value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	$ 232,160	$ 13,604	$ 226,633	$ 472,397
Investment Property	-	-	14,940	14,940
Mortgages and Contracts	-	-	6,357	6,357
Other Nonpooled Investments	80,703	-	21,474	102,177
Total Investments	$ 312,863	$ 13,604	$ 269,404	$ 595,871

C. Securities Lending

In accordance with State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. OSU's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2017 and 2016.

During the year, State Street had the authority to lend short-term fixed income and equity securities and receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. security. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the year the State did impose restrictions on the amount of the loans that the custodian made on its behalf. The State Treasury is fully indemnified by the custodian against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies, including OSU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2017 and 2016, is effectively one day. As of June 30, 2017 and 2016, the State had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the University's share of securities lending balances on loan comprised the following (in thousands):

	June 30, 2017	June 30, 2016
Investment Type		
U.S. Treasury and Agency Securities	**$ 1,548**	$ 6,251
Domestic Fixed Income Securities	**5,923**	2,102
Total	**$ 7,471**	$ 8,353

The fair value of the University's share of total cash and securities collateral received as of June 30, 2017 and 2016, was $7,634,891 and $8,519,567, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2017 and 2016, was $5,989,694 and $7,249,310, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2017	June 30, 2016
Student Tuition and Fees	**$ 41,174**	$ 36,731
Federal Grants and Contracts	**29,652**	43,925
Auxiliary Enterprises and Other Operating Activities	**13,634**	9,825
State, Other Government, and Private Gifts, Grants and Contracts	**10,467**	9,398
Component Units	**9,367**	7,574
Capital Construction	**6,906**	18,861
Other	**11,156**	12,661
	122,356	138,975
Less: Allowance for Doubtful Accounts	**(7,495)**	(7,385)
Accounts Receivable, Net	**$ 114,861**	$ 131,590

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program are funded through interest earnings and repayment of loans. 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 is calculated using the cohort default rate reported to the federal government.

Institutional and Other Student Loans include loans offered through the University itself and other various non-federal loan programs.

Notes receivable comprised the following (in thousands):

	June 30, 2017			June 30, 2016		
	Current	**Noncurrent**	**Total**	Current	Noncurrent	Total
Institutional and Other Student Loans	**$ 200**	**$ 659**	**$ 859**	$ 233	$ 630	$ 863
Perkins Loans	**4,610**	**21,001**	**25,611**	4,371	19,604	23,975
	4,810	**21,660**	**26,470**	4,604	20,234	24,838
Less: Allowance for Doubtful Accounts	**(341)**	**(3,137)**	**(3,478)**	(559)	(2,331)	(2,890)
Notes Receivable, Net	**$ 4,469**	**$ 18,523**	**$ 22,992**	$ 4,045	$ 17,903	$ 21,948

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets (in thousands):

	Balance June 30, 2015	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2016	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2017**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 23,771	$ 7,506	$ -	$ -	$ 31,277	**$ 686**	**$ -**	**$ -**	**$ 31,963**
Capitalized Collections	28,749	971	-	(462)	29,258	**331**	**6**	**-**	**29,595**
Construction in Progress	101,594	112,841	(109,945)	(9)	104,481	**82,901**	**(155,861)**	**-**	**31,521**
Intangible Assets in Progress	-	144	-	-	144	**-**	**-**	**-**	**144**
Total Capital Assets, Non-depreciable/Non-amortizable	154,114	121,462	(109,945)	(471)	$ 165,160	**83,918**	**(155,855)**	**-**	**93,223**
Capital Assets, Depreciable/Amortizable:									
Equipment	210,687	16,426	762	(13,201)	214,674	**20,063**	**721**	**(6,971)**	**228,487**
Library Materials	83,558	272	-	(2,843)	80,987	**550**	**-**	**(1,625)**	**79,912**
Buildings	1,143,457	6,370	106,939	(37)	1,256,729	**3,034**	**152,507**	**(4,318)**	**1,407,952**
Land Improvements	26,593	792	371	-	27,756	**1,997**	**1,628**	**-**	**31,381**
Improvements Other Than Buildings	12,702	524	-	(511)	12,715	**12**	**255**	**-**	**12,982**
Infrastructure	31,133	626	1,564	-	33,323	**820**	**744**	**-**	**34,887**
Intangible Assets	10,377	-	309	-	10,686	**466**	**-**	**(532)**	**10,620**
Total Capital Assets, Depreciable/Amortizable	1,518,507	25,010	109,945	(16,592)	1,636,870	**26,942**	**155,855**	**(13,446)**	**1,806,221**
Less Accumulated Depreciation/Amortization for:									
Equipment	(152,304)	(15,754)	-	12,124	(155,934)	**(15,924)**	**-**	**6,305**	**(165,553)**
Library Materials	(80,048)	(928)	-	2,843	(78,133)	**(742)**	**-**	**1,625**	**(77,250)**
Buildings	(416,773)	(29,353)	-	(116)	(446,242)	**(33,765)**	**-**	**4,259**	**(475,748)**
Land Improvements	(10,437)	(1,653)	-	(526)	(12,616)	**(1,627)**	**-**	**-**	**(14,243)**
Improvements Other Than Buildings	(8,674)	(919)	-	474	(9,119)	**(847)**	**-**	**-**	**(9,966)**
Infrastructure	(17,542)	(1,420)	-	(18)	(18,980)	**(1,533)**	**-**	**-**	**(20,513)**
Intangible Assets	(8,604)	(493)	-	(309)	(9,406)	**(319)**	**-**	**433**	**(9,292)**
Total Accumulated Depreciation/Amortization	(694,382)	(50,520)	-	14,472	(730,430)	**(54,757)**	**-**	**12,622**	**(772,565)**
Total Capital Assets, Net	$ 978,239	$ 95,952	$ -	$ (2,591)	$ 1,071,600	**$ 56,103**	**$ -**	**$ (824)**	**$ 1,126,879**
Capital Assets Summary									
Capital Assets, Non-depreciable/Non-amortizable	$ 154,114	$ 121,462	$ (109,945)	$ (471)	$ 165,160	**$ 83,918**	**$ (155,855)**	**$ -**	**$ 93,223**
Capital Assets, Depreciable/Amortizable	1,518,507	25,010	109,945	(16,592)	1,636,870	**26,942**	**155,855**	**(13,446)**	**1,806,221**
Total Cost of Capital Assets	1,672,621	146,472	-	(17,063)	1,802,030	**110,860**	**-**	**(13,446)**	**1,899,444**
Less Accumulated Depreciation/Amortization	(694,382)	(50,520)	-	14,472	(730,430)	**(54,757)**	**-**	**12,622**	**(772,565)**
Total Capital Assets, Net	$ 978,239	$ 95,952	$ -	$ (2,591)	$ 1,071,600	**$ 56,103**	**$ -**	**$ (824)**	**$ 1,126,879**

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources comprised the following (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016	**Additions**	**Reductions**	**June 30, 2017**
Deferred Outflows of Resources							
Deferred Gain/Loss on Refunding of Debt	$ 8,193	$ -	$ (8,193)	$ -	**$ -**	**$ -**	**$ -**
Pension Contributions Subsequent to the Measurement Date	15,946	19,078	(15,946)	19,078	**19,571**	**(19,078)**	**19,571**
Changes in Proportion and Differences Between Pension Contributions and Proportionate Share of Contributions	730	2,904	(697)	2,937	**7,409**	**(2,098)**	**8,248**
Difference Between Expected and Actual Experience	-	7,594	(1,406)	6,188	**7,281**	**(2,798)**	**10,671**
Change in Assumptions	-	-	-	-	**84,787**	**(15,998)**	**68,789**
Difference Between Projected and Actual Earnings on Pension Plan Investments*	-	-	-	-	**94,746**	**(31,026)**	**63,720**
Net Fair Value Loss on Foreign Currency Forward Contracts	4	-	(4)	-	**-**	**-**	**-**
Total Deferred Outflows of Resources	$ 24,873	$ 29,576	$ (26,246)	$ 28,203	**$ 213,794**	**$ (70,998)**	**$ 170,999**
Deferred Inflows of Resources							
Differences Between Pension Contributions and Proportionate Share of Contributions	$ -	$ 4,768	$ (883)	$ 3,885	**$ 81**	**$ (901)**	**$ 3,065**
Difference Between Projected and Actual Earnings on Pension Plan Investments*	78,792	18,999	(73,737)	24,054	**-**	**(24,054)**	**-**
Net Fair Value Gain on Foreign Currency Forward Contracts	-	4	-	4	**(4)**	**3**	**3**
Total Deferred Inflows of Resources	$ 78,792	$ 23,771	$ (74,620)	$ 27,943	**$ 77**	**$ (24,952)**	**$ 3,068**

* Per GASB Statement No. 68, paragraph 33, deferred outflows of resources and deferred inflows of resources arising from the difference between projected and actual earnings on pension plan investments are netted and shown as either a net deferred outflow of resources or a net deferred inflow of resources.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following (in thousands):

	June 30, 2017	June 30, 2016
Services and Supplies	**$ 33,881**	$ 45,219
Payroll Related	**19,397**	20,434
Accrued Interest	**8,134**	7,845
Salaries and Wages	**6,383**	6,444
Contract Retainage	**4,963**	2,935
Total	**$ 72,758**	$ 82,877

8. OPERATING LEASES

A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to outside entities under noncancelable operating leases. Rental income received from leases was $5,100,676 and $4,391,284 for the years ended June 30, 2017 and 2016, respectively. The original cost of assets leased was $25,050,790 and $25,982,971 for the years ended June 30, 2017 and 2016, respectively. Accumulated depreciation totaled $9,770,997 and $9,231,220 for the years ended June 30, 2017 and 2016, respectively.

A significant portion of OSU's annual operating lease revenue and future lease receivables is derived from a lease between the University and INTO OSU, Inc., a separate legal entity wholly owned by INTO Incorporated. INTO Incorporated is an international corporation that partners with universities to provide study-abroad programs in multiple countries including the US, UK and China. The current lease expires in October of 2041, and encompasses the International Living-Learning Center and several smaller campus buildings.

Future minimum operating lease revenues at June 30, 2017 were (in thousands):

For the year ending June 30,	
2018	$ 5,071
2019	4,503
2020	3,401
2021	3,279
2022	3,267
2023-2027	16,377
2028-2032	17,453
2033-2037	21,878
2038-2042	21,363
2043-2047	1,593
2048-2052	1,490
2053-2057	1,246
2058-2062	10
Total Minimum Operating Lease Revenues	$ 100,931

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $1,784,857 and $2,125,290 for the years ended June 30, 2017 and 2016, respectively. Future minimum operating lease payments at June 30, 2017 were (in thousands):

For the year ending June 30,	
2018	$ 1,452
2019	951
2020	567
2021	418
2022	282
2023-2027	1,261
2028-2032	180
Total Minimum Operating Lease Payments	$ 5,111

9. LONG-TERM LIABILITIES

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

	Balance June 30, 2016	**Additions**	**Reductions**	**Balance June 30, 2017**	**Amounts Due Within One Year**	**Long-Term Portion**
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 335,922	**$ 264**	**$ (20,382)**	**$ 315,804**	**$ 15,828**	**$ 299,976**
Oregon Department of Energy Loans (SELP)	13,512	**-**	**(751)**	**12,761**	**795**	**11,966**
Revenue Bonds	56,958	**52,355**	**(341)**	**108,972**	**366**	**108,606**
Installment Purchases	-	**40**	**(17)**	**23**	**20**	**3**
Total Long-Term Debt	406,392	**52,659**	**(21,491)**	**437,560**	**17,009**	**420,551**
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	31,215	**-**	**(1,451)**	**29,764**	**1,452**	**28,312**
Compensated Absences	29,804	**25,944**	**(23,824)**	**31,924**	**23,560**	**8,364**
Other Post-Employment Benefits	6,701	**248**	**-**	**6,949**	**-**	**6,949**
Employee Termination	1,422	**-**	**(1,422)**	**-**	**-**	**-**
Total Other Noncurrent Liabilities	69,142	**26,192**	**(26,697)**	**68,637**	**25,012**	**43,625**
Total Long-Term Liabilities	$ 475,534	**$ 78,851**	**$ (48,188)**	**$ 506,197**	**$ 42,021**	**$ 464,176**

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
General Obligation Bonds XI-F(1)	$ 369,837	$ 444	$ (42,868)	$ 327,413	$ 14,242	$ 313,171
General Obligation Bonds XI-Q	5,445	260	(902)	4,803	-	4,803
Certificates of Participation (COPs)	5,711	-	(2,005)	3,706	1,455	2,251
Oregon Department of Energy Loans (SELP)	14,237	-	(725)	13,512	744	12,768
Revenue Bonds	57,160	-	(202)	56,958	201	56,757
Installment Purchases	169	-	(169)	-	-	-
Total Long-Term Debt	452,559	704	(46,871)	406,392	16,642	389,750
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	32,332	-	(1,117)	31,215	1,117	30,098
Compensated Absences	28,674	22,098	(20,968)	29,804	22,047	7,757
Other Post-Employment Benefits	7,537	-	(836)	6,701	-	6,701
Employee Termination	3,170	18	(1,766)	1,422	1,422	-
Total Other Noncurrent Liabilities	71,713	22,116	(24,687)	69,142	24,586	44,556
Total Long-Term Liabilities	$ 524,272	$ 22,820	$ (71,558)	$ 475,534	$ 41,228	$ 434,306

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

For the Year Ending June 30,	Contracts Payable	SELP	Revenue Bonds	Other Borrowings	Totals Payments	Principal	Interest
2018	$ 29,796	$ 1,360	$ 4,326	$ 20	$ 35,502	$ 15,249	$ 20,253
2019	29,199	1,265	4,326	3	34,793	15,316	19,477
2020	27,116	1,186	4,326	-	32,628	13,616	19,012
2021	26,467	1,185	4,326	-	31,978	13,933	18,045
2022	25,934	1,185	4,326	-	31,445	14,172	17,273
2023-2027	123,415	5,928	21,632	-	150,975	76,659	74,316
2028-2032	104,889	5,232	21,632	-	131,753	76,855	54,898
2033-2037	73,733	-	21,632	-	95,365	57,123	38,242
2038-2042	40,390	-	21,632	-	62,022	34,560	27,462
2043-2047	8,366	-	113,060	-	121,426	106,365	15,061
Accreted Interest						3,115	(3,115)
						$ 426,963	$ 300,924
Total Future Debt Service	**489,305**	**17,341**	**221,218**	**23**	**727,887**		
Less: Interest Component of Future Payments	(173,501)	(4,580)	(122,843)	-	(300,924)		
Principal Portion of Future Payments	**315,804**	**12,761**	**98,375**	**23**	**426,963**		
Adjusted by:							
Net Unamortized Bond Premiums (Discounts)	-	-	10,597		10,597		
Total Long-Term Debt	**$ 315,804**	**$ 12,761**	**$ 108,972**	**$ 23**	**$ 437,560**		

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 July 1, 2015, all unamortized premiums, discounts and net gains/losses on refunding of institution paid debt issued prior to June 30, 2014 were removed from OSU's financial records. OSU has entered into contractual loan agreements for the principal and interest amounts due to the State. The State may periodically issue new debt to refund previously held debt. Per the loan agreements, when this happens the State is required to pass the savings on to the University. See Note 19 Change in Entity for additional information.

A. Contracts Payable

OSU has entered into contractual loan agreements with the State for repayment of XI-F(1), XI-Q, and COPs issued by the State on behalf of OSU for capital construction and refunding of previously issued debt. OSU makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with interest rates ranging from 1.14 percent to 7.00 percent, are due serially through 2044.

During the fiscal year ended June 30, 2017, the State issued new XI-F(1) bonds for refunding of previously held debt, which resulted in a net reduction to OSU's contracts payable of $4,684,591. Other changes include debt service payments for principal of $13,938,704 and the addition of $263,396 and the deduction of $1,758,213 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. General Obligation Bonds XI-F(1)

During the fiscal year ended June 30, 2016, no new XI-F(1) bonds were issued by the State on behalf of OSU. As of July 1, 2015, $28,329,313 in premiums and discounts associated with XI-F(1) debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 for additional information.

Other changes to XI-F(1) bond liability during fiscal year 2016 include debt service payments for principal and accreted interest of $14,538,359 and the addition of $443,339 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

OSU no longer has a liability for XI-F(1) bonds. These liabilities are now in the form of long-term contracts payable to the State.

C. General Obligation Bonds XI-Q

As of July 1, 2015, $901,642 in premiums associated with XI-Q legacy debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 Change in Entity for additional information.

During the fiscal year ended June 30, 2016, the State issued Series 2016-F tax-exempt bonds for the refunding of COPs, which resulted in a net decrease of $260,000 to the University' liability.

OSU no longer has a liability for XI-Q bonds. These liabilities are now in the form of long-term contracts payable to the State.

D. Certificates of Participation

As of July 1, 2015, $314,080 in premiums associated with COPs legacy debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 for additional information.

Other changes to COPs liability during fiscal year 2016 include the refunding of $303,000 of previously held debt and debt service payments for principal of $1,387,709.

OSU no longer has a liability for COPs. These liabilities are now in the form of long-term contracts payable to the State.

E. 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 2.00 percent to 5.46 percent, are due through 2032.

F. Revenue Bonds

General Revenue Bonds, with effective yields ranging from 3.25 percent to 5.00 percent, with bullet maturities, are due in fiscal years 2044 through 2047.

During the fiscal year ended June 30, 2017, OSU issued $47,260,000 par value of taxable and tax-exempt General Revenue Bonds. The bonds were sold at a premium of $5,094,963.

- $40,165,000 Series 2016A tax-exempt bonds with an effective rate of 4.00 percent, with bullet maturities due in 2046 and 2047 for the following capital construction projects:
  - Cascade Campus Residence Hall
  - Cascade Campus Dining/Academic Center
  - IT Systems Infrastructure
- $7,095,000 Series 2016B taxable bonds with an effective rate of 3.25 percent with a bullet maturity due in 2046 for the following capital construction projects:
  - Cascade Campus Dining/Academic Center
  - IT Systems Infrastructure

Other changes to the revenue bond liability during fiscal year 2017 include the amortization of $341,081 in bond premium.

OSU did not issue any Revenue Bonds during the fiscal year ended June 30, 2016. Other changes to the revenue bond liability during fiscal year 2016 include the amortization of $201,889 in bond premium.

G. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), 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 public universities, state 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 $2,210,145 and $2,193,806 for June 30, 2017 and 2016, respectively. Principal payments of $1,451,597 and $1,116,539 were applied to OSU's liability for June 30, 2017 and 2016, respectively.

H. Employee Termination

OSU had severance agreements with three former employees relating to early termination of their respective employment contracts. The payout of these liabilities extended through fiscal year 2017.

10. UNRESTRICTED NET POSITION

Unrestricted net position is comprised of the following (in thousands):

	June 30, 2017	June 30, 2016
University Operations	**$ 174,547**	$ 152,310
Net Pension Liability	**(322,538)**	(114,748)
Pension Related Deferred Outflows (See Note 6)	**170,999**	28,203
Pension Related Deferred Inflows (See Note 6)	**(3,064)**	(27,939)
State and Local Government Rate Pool Liability (See Note 9)	**(29,764)**	(31,215)
Compensated Absences Liability (See Note 9)	**(26,706)**	(24,741)
Other Post-Employment Benefits (See Notes 9 and 16)	**(6,949)**	(6,701)
Total Unrestricted Net Position	**$ (43,475)**	$ (24,831)

11. 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, 2017	June 30, 2016
Total Operating Revenues	**$ 767,634**	$ 720,580
(Less):		
Student Building Fees	**(3,317)**	(3,355)
Student Incidental Fees	**(26,704)**	(25,334)
Federal Grants and Contracts	**(184,785)**	(176,078)
State and Local Grants and Contracts	**(13,886)**	(9,272)
Nongovernmental Grants and Contracts	**(22,329)**	(22,102)
Amounts Required to be Deposited or Paid for University-Paid State Bonds	**(36,084)**	(35,742)
Plus:		
Adjusted Beginning Unrestricted Net Position	**(36,335)**	48,994
General Revenues Pledged to Repay Revenue Bonds	**$ 444,194**	$ 497,691

12. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2017	June 30, 2016
Royalties and Technology Transfer Income	**$ 5,494**	$ 6,536
Investment Earnings	**3,863**	3,751
Endowment Income	**1,905**	1,760
Net Appreciation (Depreciation) of Investments	**768**	(332)
Gain (Loss) on Sale of Investments	**423**	(83)
Interest Income	**347**	293
Total Investment Activity	**$ 12,800**	$ 11,925

13. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The reporting of the net pension liability as per GASB Statement Nos. 68 and 71, significantly affects the reported compensation and benefit expenses of OSU. Changes in the pension expense and associated reporting requirements increased the reported compensation and benefit expenses of OSU by $40,192,963 and $93,199,761 for the fiscal years ended June 30, 2017 and 2016, respectively.

The following displays operating expenses by both the functional and natural classifications (in thousands):

June 30, 2017	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	$ 264,567	$ 25,805	$ 281	$ 19	$ 243	**$ 290,915**
Research	147,437	57,671	2,974	-	32	**208,114**
Public Services	79,423	26,309	930	46	1,035	**107,743**
Academic Support	60,581	19,344	7	-	-	**79,932**
Student Services	27,484	6,384	61	-	51	**33,980**
Auxiliary Services	77,175	72,059	4,708	15,652	-	**169,594**
Institutional Support	60,581	24,597	5	-	-	**85,183**
Operation & Maint. of Plant	15,461	20,912	-	111	-	**36,484**
Student Aid	-	323	29,869	-	445	**30,637**
Other	3,142	15,026	-	38,929	-	**57,097**
Total	**$ 735,851**	**$ 268,430**	**$ 38,835**	**$ 54,757**	**$ 1,806**	**$ 1,099,679**

June 30, 2016	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 269,675	$ 27,904	$ 366	$ 18	$ 221	$ 298,184
Research	148,716	57,681	2,551	-	23	208,971
Public Services	78,796	24,820	565	40	936	105,157
Academic Support	62,818	19,036	-	-	-	81,854
Student Services	26,912	5,425	6	-	66	32,409
Auxiliary Services	77,974	65,994	4,512	13,345	-	161,825
Institutional Support	60,550	21,446	5	-	-	82,001
Operation & Maint. of Plant	15,396	18,764	-	109	-	34,269
Student Aid	-	1,561	32,157	-	546	34,264
Other	6,135	11,105	-	37,008	-	54,248
Total	$ 746,972	$ 253,736	$ 40,162	$ 50,520	$ 1,792	$ 1,093,182

14. GOVERNMENT APPROPRIATIONS

OSU receives support from the State in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the University and SELP debt service. Appropriations for SELP debt service are based on the loan agreements between the University and the Oregon Department of Energy. Additionally, OSU receives state general fund, state forest product harvest tax (Harvest Tax), federal appropriations, and county appropriations in support of operations of the statewide public services, which include the agricultural experiment stations, cooperative extension services and forestry research laboratories. Government appropriations comprised the following (in thousands):

	June 30, 2017	June 30, 2016
General Fund - Education & General	**$ 117,532**	$ 111,769
General Fund - Statewide Public Services	**60,512**	58,082
General Fund - SELP Debt Service	**1,084**	1,084
Lottery Funding	**515**	515
Harvest Tax	**3,687**	3,495
Total State	**$ 183,330**	$ 174,945
Federal Appropriations	**10,100**	9,511
County Appropriations	**10,949**	10,005
Total Appropriations	**$ 204,379**	$ 194,461

15. EMPLOYEE RETIREMENT PLANS

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

A. Public Employees Retirement Plan (PERS)

ORGANIZATION

The University participates with other state agencies in the Oregon Public Employees Retirement System (System), which is a cost-sharing multiple employer defined benefit plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer and manage the System.

PLAN MEMBERSHIP

The 1995 Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. Memberships prior to January 1, 1996 are Tier One members. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program Defined Benefit (DB) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retained their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses, net of administrative expenses. OPSRP is part of PERS and is administered by the PERS Board.

PENSION PLAN REPORT

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State of Oregon Comprehensive Annual Financial Report. PERS issues a separate, publicly available audited financial report that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700.

The report may also be accessed online at: **www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

BASIS OF ACCOUNTING

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut-off as of the fifth of the following month.

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

CHANGES SUBSEQUENT TO THE MEASUREMENT DATE

The University is not aware of any changes to benefit terms subsequent to the June 30, 2016 measurement date.

PENSION PLAN LIABILITY

The components of the Plan's collective net pension liability as of the measurement date of June 30, 2016 and 2015 are as follows (dollars in millions):

Collective Plan:	**June 30, 2016**	June 30, 2015
Total Pension Liability	**$ 77,094**	$ 70,665
Plan Fiduciary Net Position	**62,082**	64,924
Plan Net Pension Liability	**$ 15,012**	$ 5,741

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature. The impact of this decision increased Employer paid benefits above and beyond those previously estimated, and in so doing caused a substantial increase in Plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75 percent to 7.50 percent.

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

PENSION BENEFITS

The PERS retirement allowance is payable monthly for life. There are 13 retirement benefit options a retiring employee may select from. 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. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.

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

DEATH BENEFITS

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

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

DISABILITY BENEFITS

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

BENEFIT CHANGES AFTER RETIREMENT

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA is capped at 2.0 percent.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

PENSION BENEFITS

The 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 COLA varies 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 IAP) PENSION PROGRAM

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

CONTRIBUTIONS

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the IAP and may be amended by an act of the Oregon Legislature. The PERS and OPSRP funding policies provide 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 for the fiscal years ended June 30, 2017 and 2016 were based on the December 31, 2013 actuarial valuation as subsequently modified by the Moro decision. The rates are effective July 1, 2015 through June 30, 2017. The employer contribution rates for PERS and OPSRP are as follows:

	2017	2016
PERS Tier One/Two	**13.28%**	13.28%
OPSRP	**7.31%**	7.31%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2017 and 2016, were $23,232,722 and $22,388,658, respectively, including amounts to fund employer specific liabilities.

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 13.9 percent. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate.

The University's required employer contributions for CSRS and FERS for the years ended June 30, 2017 and 2016, were $291,026 and $342,525, respectively.

NET PENSION LIABILITY

At June 30, 2017, the University reported a liability of $322,538,214 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. At June 30, 2016, the University reported a liability of $114,747,477 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The PERS system does not provide OSU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. The State Department of Administrative Services (DAS) calculated OSU's proportionate share of all state agencies internally based on actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2017, OSU's proportion was 2.15 percent of the statewide pension plan and 8.01 percent of employer state agencies. At June 30, 2016, OSU's proportion was 2.0 percent of the statewide pension plan and 7.85 percent of employer state agencies.

For the years ended June 30, 2017 and 2016, OSU recorded total pension expense of $59,691,943 and $112,278,073, respectively, due to the increase in net pension liability, changes to deferred outflows and deferred inflows, and amortization of previously deferred amounts.

DEFERRED ITEMS

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal years ending June 30, 2017 and 2016, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual pension plan investment earnings
- Changes in employer proportion since the prior measurement date

- A difference between employer contributions and proportionate share of contributions

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

- Measurement period ended June 30, 2016 – 5.3 years
- Measurement period ended June 30, 2015 – 5.4 years
- Measurement period ended June 30, 2014 – 5.6 years

The difference between projected and actual pension plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total pension expense for fiscal years 2017 and 2016.

At June 30, 2017, OSU 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	$ 10,671	$ -
Changes of assumptions	68,789	-
Net difference between projected and actual earnings on pension plan investments	63,720	-
Changes in proportion and differences between System's contributions and proportionate share of contributions	8,248	3,065
Total	**$ 151,428**	**$ 3,065**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	148,363	
Contributions Subsequent to the MD	19,571	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ 167,934**	

Of the amount reported as deferred outflows of resources, $19,570,980 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, 2018.

At June 30, 2016, OSU 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	$ 6,188	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	24,054
Changes in proportion and differences between System's contributions and proportionate share of contributions	2,937	3,885
Total	$ 9,125	$ 27,939
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		(18,814)
Contributions Subsequent to the MD	19,078	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 264	

Of the amount reported as deferred outflows of resources, $19,078,312 are related to pensions resulting from contributions subsequent to the measurement date and are recognized as a reduction of the net pension liability in the year ended June 30, 2017.

As of June 30, 2017, 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):

Year Ended June 30:	
2018	26,965
2019	26,965
2020	50,390
2021	38,442
2022	5,601
	$ 148,363

ACTUARIAL METHODS AND ASSUMPTIONS

The following methods and assumptions were used in the development of the total pension liability:

Actuarial Methods:		
As of:	**June 30, 2017**	**June 30, 2016**
Valuation Date	December 31, 2014	December 31, 2013
Measurement Date	June 30, 2016	June 30, 2015
Experience Study Report	2014, published September 2015	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	2.75 percent
Long-Term Expected Rate of Return	7.50 percent	7.75 percent
Discount Rate	7.50 percent	7.75 percent
Projected Salary Increases	3.50 percent	3.75 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service	
Mortality	*Healthy retirees and beneficiaries:* RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality 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.

DISCOUNT RATE

The discount rate used to measure the total pension liability at June 30, 2017 and 2016, was 7.50 and 7.75 percent, respectively. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY ANALYSIS

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as of June 30, 2017 and 7.75 percent as of June 30, 2016, as well as what the University's proportionate share of the net pension liability/(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):

As of:	**June 30, 2017**	June 30, 2016
1 % Decrease 6.5%/6.75%	**$520,792**	$276,939
Current Discount Rate 7.5%/7.75%	**322,538**	114,748
1 % Increase 8.5%/8.75%	**156,833**	(21,937)

DEPLETION DATE PROJECTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, 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. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB Statement No. 68 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. 68 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 that 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. 68 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	13.50	21.50	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	12.50	12.50
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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset 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. The table to the right shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: **www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx**.

LONG-TERM EXPECTED RATE OF RETURN BY ASSET CLASS

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Intermediate-Term Bonds	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation – Mean		2.50%

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 periodically over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal year 2017 was 6.0 percent. The assessment rate for fiscal year 2016 was 6.7 percent through October 31, 2015 and was reduced to 6.0 percent effective November 1, 2015. Payroll assessments paid by OSU for the fiscal years ended June 30, 2017 and 2016, were $14,436,097 and $13,976,968, respectively.

B. Other 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 two investment companies, either Fidelity or the Teacher's Insurance Annuity Association (TIAA).

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 Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer.

The employer contribution rates for the ORP are as follows:

	2017	2016
Tier One/Two	**20.45%**	20.45%
Tier Three	**7.94%**	7.94%
Tier Four	**8.00%**	8.00%

OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the TIAA 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 of salary. The contribution to TIAA 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. The legacy plan, Oregon University System 401(a) Defined Contribution Plan, document was amended and restated July 1, 2015, and the Plan Sponsor is now the Board of Trustees for the University of Oregon.

FEDERAL CIVIL SERVICE RETIREMENT - THRIFT SAVINGS PLAN

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 University president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2017, the plan was fully funded.

SUMMARY OF OTHER PENSION PAYMENTS

OSU's total payroll for the year ended June 30, 2017 was $482,693,112, of which $153,482,690 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, 2017			
	Employer Contribution	**As a % of Covered Payroll**	**Employee Contribution**	**As a % of Covered Payroll**
ORP	**$ 13,575**	**8.84%**	**$ 8,628**	**5.62%**
TIAA	**52**	**0.03**	**52**	**0.03**
FERS - TSP	**85**	**0.06**	**237**	**0.15**
SRP	**162**	**0.11**	**-**	**0.00**
Total	**$ 13,874**	**9.04%**	**$ 8,917**	**5.80%**

Of the employee share, OSU paid $7,935,764 of the ORP and $52,191 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2017. The FERS-TSP contributions of $237,204 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2017.

OSU's total payroll for the year ended June 30, 2016 was $453,540,927, of which $136,946,848 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, 2016			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 13,723	10.02%	$ 7,763	5.67%
TIAA	55	0.04	55	0.04
FERS - TSP	98	0.07	285	0.21
SRP	151	0.11	-	0.00
Total	$ 14,027	10.24%	$ 8,103	5.92%

Of the employee share, OSU paid $7,321,660 of the ORP and $55,282 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2016. The FERS-TSP contributions of $285,164 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2016.

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

OSU participates in a defined benefit post-employment healthcare plan, administered by 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 qualifying OSU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy" under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Health care premiums priced only for retirees, who on average incur higher health care claim costs than younger active employees, would be more expensive than health care premiums that are priced to cover the average costs of both active and retirees combined. GASB Statement No. 45 states that this implicit subsidy must be included in the liabilities and costs reported on the entity's financial statements.

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 10.09 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 2017.

FUNDING POLICY

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy on a pay-as-you-go basis. For fiscal years 2017 and 2016, OSU paid healthcare insurance premiums of $85,562,516 and $80,344,964, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $433,024 and $478,282 for the fiscal years ended 2017 and 2016, respectively.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Annual Required Contribution (ARC) is the amount PEBB would be required to report as an expense for the fiscal year under GASB Statement No. 45. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). The UAAL amortization method is level dollar over a period of one year. Note, the ARC represents an accounting expense, but neither PEBB nor its covered agencies are required to contribute the ARC to a separate trust. Because funds are not set aside equal to the ARC each year, the Annual OPEB Cost (less actual benefit payments) will accumulate as a liability (Net OPEB Obligation) on PEBB's and OSU's Statement of Net Position.

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

	June 30, 2017	June 30, 2016
Annual Required Contribution	**$ 8,259**	$ 7,874
Interest on Net OPEB Obligation	**265**	288
Adjustment to Annual Required Contribution	**(7,843)**	(8,520)
Annual OPEB Cost	**681**	(358)
Contributions Made	**(433)**	(478)
Change in Net OPEB Obligation	**248**	(836)
Net OPEB Obligation - Beginning of Year	**6,701**	7,537
Net OPEB Obligation - End of Year	**$ 6,949**	$ 6,701

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, 2017, 2016 and 2015 were as follows (in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	**$ 681**	**10%**	**$ 6,949**
2016	(358)	-5%	6,701
2015	1,071	14%	7,537

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the OSU OPEB plan for June 30, 2017 and 2016, were as follows (in thousands):

	June 30, 2017	June 30, 2016
Actuarial Accrued Liabilities	**$ 7,407**	$ 7,229
Actuarial Value of Plan Assets	**-**	-
Unfunded Actuarial Accrued Liability	**$ 7,407**	$ 7,229
Funded Ratio	**0.00%**	0.00%
Covered Payroll (active plan members)	**$ 373,394**	$ 350,225
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	**1.98%**	2.06%

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. The PEBB post-employment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2015.

Significant methods and assumptions for the fiscal years ended June 30, 2017 and 2016, were as follows:

Actuarial Valuation Date	**7/1/2015**
Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Dollar**
Amortization Period	**1 year (open)**
Investment Rate of Return	**3.5%**
Initial Healthcare Inflation Rates	**5.1% (medical), 2.3% (dental)**
Ultimate Healthcare Inflation Rates	**5.0% (medical), 5.0% (dental)**

17. RISK FINANCING

OSU is a member of the Public Universities Risk Management and Insurance Trust (PURMIT). PURMIT is a separate legal entity that provides risk management and insurance support to its member universities (Member). PURMIT is governed by a Board of Trustees comprised of one representative from each Member. PURMIT carries out its mission through a combination of risk transfer and risk retention. PURMIT operates a self-insurance program for property and casualty lines under which each Member may select their own deductible. PURMIT also procures insurance and excess insurance, purchases specialty insurance lines, and provides administrative and operational services.

PURMIT is funded by annual Member assessments that are based on exposure, premium costs, expected claims, and operational costs, which is outlined in a Risk Allocation Model, and based on sound actuarial analysis.

As a Member of PURMIT, OSU transfers the following insurable risks to PURMIT and insurance companies:

- 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 and Network Security
- Specialty lines of coverage for marine, medical practicums, intercollegiate athletics, international travel, camps and clinics, day care, aviation exposures, and other items

OSU has a deductible of $100,000 per occurrence/claim to PURMIT on property and casualty claims, and various deductibles on other insurance and specialty insurance lines. Annually, OSU sets aside pre-loss funding in advance to pay for the claims that are expected for that policy year. The amount of settlements has not exceeded insurance coverage since PURMIT was established in June of 2014.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed, and planned but not initiated construction projects totaled approximately $311,597,948 at June 30, 2017. 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, 2017.

19. 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. The change in entity 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 9 Long-Term Liabilities for additional information.

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

	June 30, 2016
State Paid Debt Transferred to the State Resulting in an Increase (Decrease) in Net Position	
General Obligation Bonds XI-F (1)	$ 28,329
General Obligation Bonds XI-Q	902
Certificates of Participation	314
Deferred Outflows - Unamortized Gain/Loss on Refunding	(8,193)
Accrued Interest Payable Removed	79
Change in Net Position due to Change in Entity	$ 21,431

20. SUBSEQUENT EVENTS

LINE OF CREDIT

On July 7, 2017, OSU executed a revolving credit agreement with U.S. Bank for $50,000,000 to be available to finance capital expenditures. In anticipation of secured pledges, OSU drew $29,600,000 on July 7, 2017 for spending on the Valley Football Center project and other athletics capital projects. Subsequently, in anticipation of secured pledges, on September 1, 2017 OSU drew an additional $2,300,000 for spending on athletics capital projects. Repayment of current borrowings will be made upon receipt of anticipated gifts. The revolving credit agreement commitment expires on July 7, 2020.

REVENUE BOND ISSUANCE

On October 11, 2017, OSU issued $72,705,000 par value of taxable General Revenue Bonds. The bonds were sold at par.

- $72,705,000 Series 2017 taxable bonds with an effective rate of 3.75 percent, with bullet maturities due in 2048 and 2049 for the following capital construction projects:
    - Renovation of Gilkey Hall
    - Steam Line Replacement and Tunnel Extension
    - Upper Division and Graduate Student Housing Projects
    - Newport Housing Project
    - Minor Capital Programmatic Improvements

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, 2017 and 2016. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

During the years ended June 30, 2017 and 2016, gifts of $67,890,112 and $63,186,500, respectively, were transferred from the university foundations to OSU.

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*


WALDO HALL
19
07

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2017

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 16,778	$ 1,516	$ 18,294
Investments	618,713	24,133	642,846
Contributions, Pledges and Grants Receivable, Net	43,263	2,202	45,465
Assets Held-For-Sale	4,759	-	4,759
Assets Held Under Split-Interest Agreements	54,382	-	54,382
Charitable Trusts Held Outside the Foundation	13,480	-	13,480
Prepaid Expenses and Other Assets	2,465	103	2,568
Property and Equipment, Net	6,052	22	6,074
Total Assets	**$ 759,892**	**$ 27,976**	**$ 787,868**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 12,030	$ 231	$ 12,261
Endowment Assets Held for OSU	46,046	-	46,046
Accounts Payable to the University	-	4,477	4,477
Obligations to Beneficiaries of Split-Interest Agreements	23,315	-	23,315
Deposits and Unearned Revenue	-	8,228	8,228
Long-Term Liabilities	-	6	6
Total Liabilities	**81,391**	**12,942**	**94,333**
NET ASSETS			
Unrestricted	1,020	4,222	5,242
Temporarily Restricted	278,128	9,829	287,957
Permanently Restricted	399,353	983	400,336
Total Net Assets	**678,501**	**15,034**	**693,535**
TOTAL LIABILITIES AND NET ASSETS	**$ 759,892**	**$ 27,976**	**$ 787,868**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2017

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 895	$ 5,452	$ 6,347
Interest and Dividends	3,657	-	3,657
Investment Income, Net	15,931	852	16,783
Net Assets Released From Restrictions and Other Transfers	84,962	2,586	87,548
Other Revenues	15,894	-	15,894
Total Revenues	**121,339**	**8,890**	**130,229**
EXPENSES			
University Support	70,555	8,253	78,808
Management, General and Development Expenses	23,836	366	24,202
Investment Expense	11,892	-	11,892
Total Expenses	**106,283**	**8,619**	**114,902**
Increase In Unrestricted Net Assets	**15,056**	**271**	**15,327**
Beginning Balance, Unrestricted Net Assets	(14,036)	3,951	(10,085)
Ending Balance, Unrestricted Net Assets	**$ 1,020**	**$ 4,222**	**$ 5,242**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 43,800	$ 2,971	$ 46,771
Interest and Dividends	9,534	-	9,534
Investment Income, Net	43,843	45	43,888
Change in Value of Life Income Agreements	417	-	417
Other Revenues	3,058	-	3,058
Net Assets Released From Restrictions and Other Transfers	(85,258)	(2,586)	(87,844)
Increase In Temporarily Restricted Net Assets	**15,394**	**430**	**15,824**
Beginning Balance, Temporarily Restricted Net Assets	262,734	9,399	272,133
Ending Balance, Temporarily Restricted Net Assets	**$ 278,128**	**$ 9,829**	**$ 287,957**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 12,309	$ 1	$ 12,310
Interest and Dividends	129	-	129
Investment Income (Loss), Net	(113)	4	(109)
Change in Value of Life Income Agreements	1,862	-	1,862
Other Revenues	61	-	61
Net Assets Released From Restrictions and Other Transfers	296	-	296
Increase In Permanently Restricted Net Assets	**14,544**	**5**	**14,549**
Beginning Balance, Permanently Restricted Net Assets	384,809	978	385,787
Ending Balance, Permanently Restricted Net Assets	**$ 399,353**	**$ 983**	**$ 400,336**
Beginning Balance, Total Net Assets	$ 633,507	$ 14,328	$ 647,835
Increase In Total Net Assets	**44,994**	**706**	**45,700**
Ending Balance, Total Net Assets	**$ 678,501**	**$ 15,034**	**$ 693,535**

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2016

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 4,494	$ 750	$ 5,244
Investments	573,246	22,625	595,871
Contributions, Pledges and Grants Receivable, Net	49,081	2,453	51,534
Assets Held-For-Sale	4,299	-	4,299
Assets Held Under Split-Interest Agreements	52,233	-	52,233
Charitable Trusts Held Outside the Foundation	15,706	-	15,706
Prepaid Expenses and Other Assets	2,913	244	3,157
Property and Equipment, Net	4,824	18	4,842
Total Assets	**$ 706,796**	**$ 26,090**	**$ 732,886**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 7,097	$ 82	$ 7,179
Endowment Assets Held for OSU	42,476	-	42,476
Accounts Payable to the University	-	3,512	3,512
Obligations to Beneficiaries of Split-Interest Agreements	23,716	-	23,716
Deposits and Unearned Revenue	-	8,160	8,160
Long-Term Liabilities	-	8	8
Total Liabilities	**73,289**	**11,762**	**85,051**
NET ASSETS			
Unrestricted	(14,036)	3,951	(10,085)
Temporarily Restricted	262,734	9,399	272,133
Permanently Restricted	384,809	978	385,787
Total Net Assets	**633,507**	**14,328**	**647,835**
TOTAL LIABILITIES AND NET ASSETS	**$ 706,796**	**$ 26,090**	**$ 732,886**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2016

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 1,046	$ 4,959	$ 6,005
Interest and Dividends	3,189	-	3,189
Investment Income (Loss), Net	(12,672)	1,375	(11,297)
Net Assets Released From Restrictions and Other Transfers	73,286	3,134	76,420
Other Revenues	15,546	-	15,546
Total Revenues	**80,395**	**9,468**	**89,863**
EXPENSES			
University Support	64,035	8,526	72,561
Management, General and Development Expenses	21,559	341	21,900
Investment Expense	9,923	-	9,923
Total Expenses	**95,517**	**8,867**	**104,384**
Increase (Decrease) In Unrestricted Net Assets	**(15,122)**	**601**	**(14,521)**
Beginning Balance, Unrestricted Net Assets	1,086	3,350	4,436
Ending Balance, Unrestricted Net Assets	**$ (14,036)**	**$ 3,951**	**$ (10,085)**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 63,843	$ 3,118	$ 66,961
Interest and Dividends	10,305	37	10,342
Investment Income, Net	73	-	73
Change in Value of Life Income Agreements	(117)	-	(117)
Other Revenues	7,498	-	7,498
Net Assets Released From Restrictions and Other Transfers	(74,292)	(3,134)	(77,426)
Increase In Temporarily Restricted Net Assets	**7,310**	**21**	**7,331**
Beginning Balance, Temporarily Restricted Net Assets	255,424	9,378	264,802
Ending Balance, Temporarily Restricted Net Assets	**$ 262,734**	**$ 9,399**	**$ 272,133**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 11,511	$ -	$ 11,511
Interest and Dividends	130	-	130
Investment Income (Loss), Net	(52)	3	(49)
Change in Value of Life Income Agreements	(1,152)	-	(1,152)
Other Revenues	149	-	149
Net Assets Released From Restrictions and Other Transfers	1,006	-	1,006
Increase In Permanently Restricted Net Assets	**11,592**	**3**	**11,595**
Beginning Balance, Permanently Restricted Net Assets	373,217	975	374,192
Ending Balance, Permanently Restricted Net Assets	**$ 384,809**	**$ 978**	**$ 385,787**
Beginning Balance, Total Net Assets	$ 629,727	$ 13,703	$ 643,430
Increase In Total Net Assets	**3,780**	**625**	**4,405**
Ending Balance, Total Net Assets	**$ 633,507**	**$ 14,328**	**$ 647,835**

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON STATE UNIVERSITY CONTRIBUTIONS*
Public Employees Retirement System

For Fiscal Years Ended June 30,	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 19,571	$ 19,078	$ 15,945	$ 15,100	$ 13,760	$ 12,666
Contributions in Relation to the Contractually Required Contribution	19,571	19,078	15,945	15,100	13,760	12,666
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 244,265	$ 228,327	$ 218,835	$ 202,058	$ 189,839	$ 177,054
Contributions as a Percentage of Covered Payroll	8.0%	8.4%	7.3%	7.5%	7.2%	7.2%

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

As of June 30,	2017	2016	2015
University's Allocation of the Net Pension Liability/(Asset)	2.15%	2.00%	1.80%
University's Proportionate Share of the Net Pension Liability/(Asset)	$ 322,538	$ 114,746	$ (40,834)
University's Covered Payroll	$ 244,265	$ 228,327	$ 218,835
University's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	132.04%	50.26%	18.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	80.53%	91.88%	103.59%

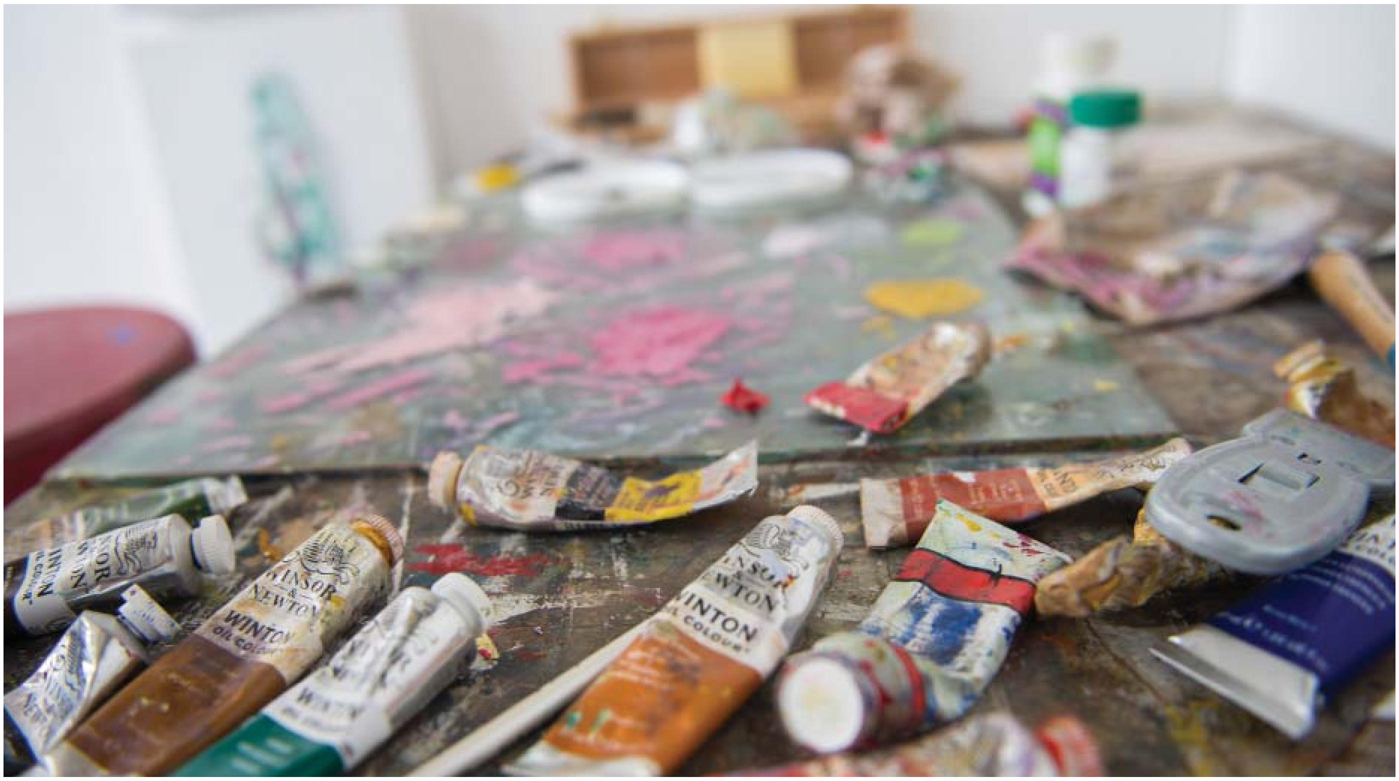
*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

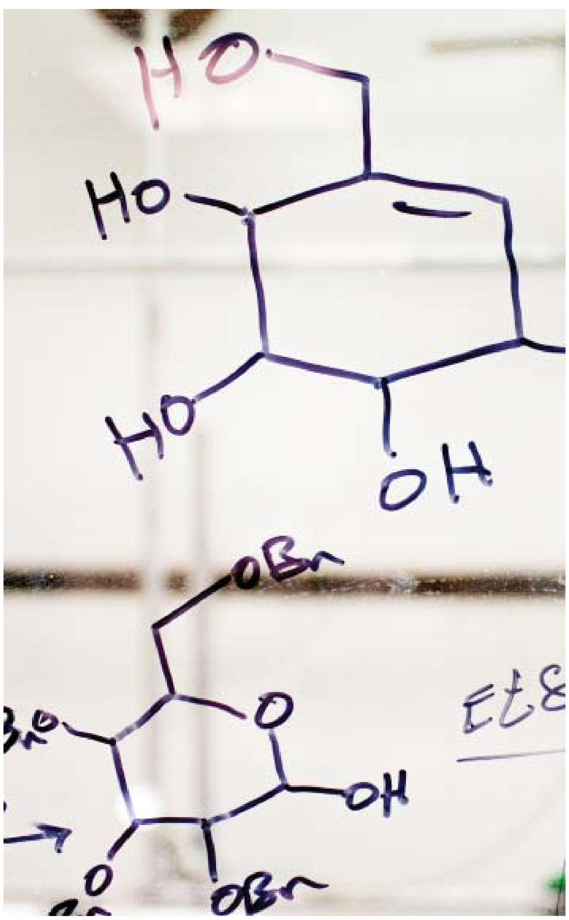
Required Supplementary Information (dollars in thousands)

Funding Status of Other Post-Employment Benefits

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	7/1/2011	$ -	$ 15,094	$ 15,094	0.0%	$ 286,923	5.3%
6/30/2014	7/1/2013	-	10,212	10,212	0.0	306,622	3.3
6/30/2015	7/1/2013	-	10,390	10,390	0.0	332,632	3.1
6/30/2016	7/1/2015	-	7,229	7,229	0.0	350,225	2.1
6/30/2017	7/1/2015	-	7,407	7,407	0.0	373,394	2.0

[THIS PAGE INTENTIONALLY LEFT BLANK]





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

Michael J. Green
Interim Vice President for Finance and Administration/CFO
Oregon State University
640 Kerr Administration Building
Corvallis, OR 97331
541-737-2092

Oregon State University
oregonstate.edu

Office of the Vice President for
Finance and Administration

640 Kerr Administration Building
Corvallis, OR 97331-2156