Oregon State University

2016 Annual Financial Report

Table of Contents

Executive Officers (as of June 30, 2016)

Edward J. Ray
President

Sabah Randhawa
Provost/Executive Vice President

Michael J. Green
Interim Vice President for Finance/CFO

Ronald L. Adams
Interim Vice President for Administration

Cynthia Sagers
Vice President for Research

Steven Clark
Vice President for University Relations and Marketing

Becky Johnson
Vice President for OSU - Cascades

Kathy Bickel
Vice President for Alumni Relations

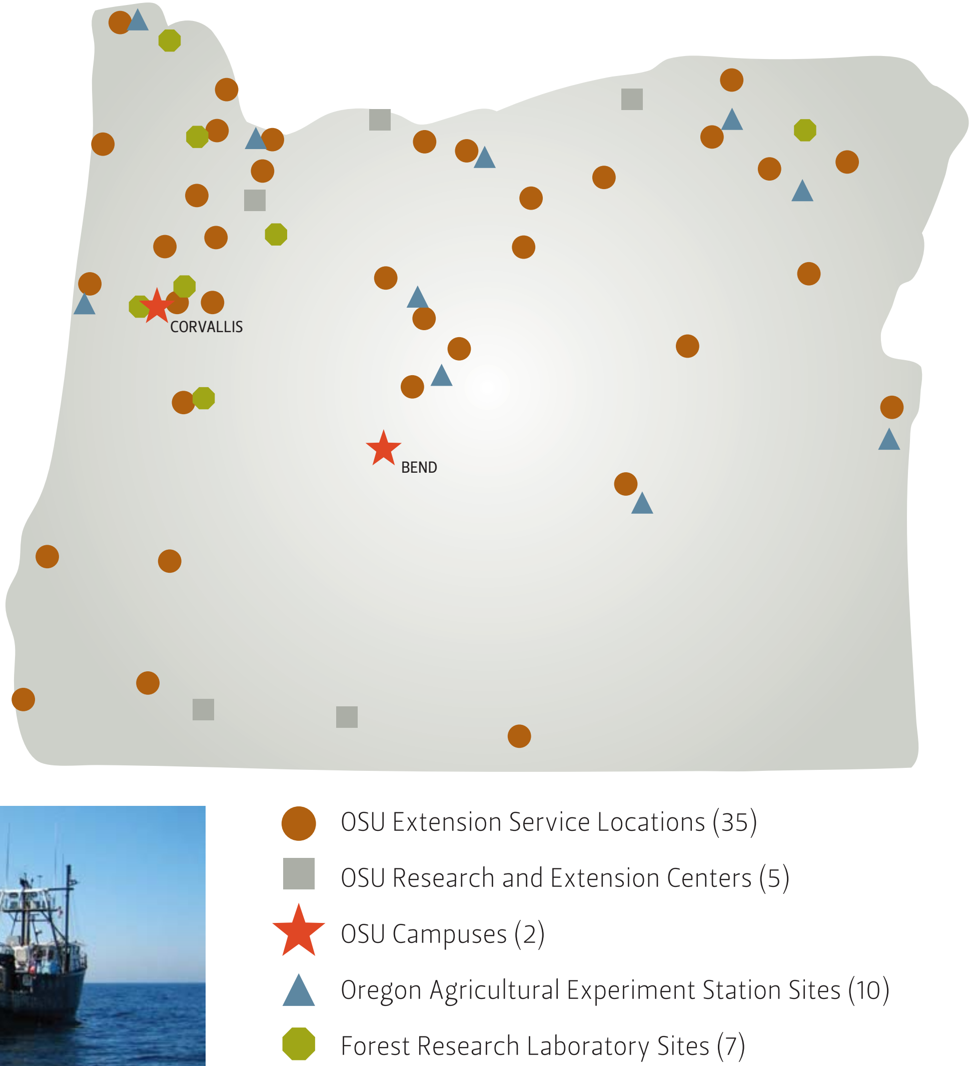
Brenda McComb
Senior Vice Provost for Academic Affairs

Rebecca Gose
General Counsel

Patricia Snopkowski
Chief Audit Executive

OREGON'S STATEWIDE UNIVERSITY

Oregon State University is a comprehensive, internationally recognized public 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.



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

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

An incredible momentum at Oregon State continues to propel the university to the forefront of new ideas, excellence, leadership and innovation each day. As an internationally recognized public research university, OSU's 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. 7 in the country by U.S. News and World Report. For the second straight year, Oregon State also set a record in research funding—$336 million—which totaled more research dollars than the state's six other public universities combined. The university's research enterprise continues to excel to address 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 $122.38 million in 2016. 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. Donors also are boosting university research through 129 endowed faculty positions, along with investments in facilities and programs.

For the second straight year, OSU was the largest university in the state with more than 30,000 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 by 2025; 3,000-5,000 students at our OSU-Cascades campus in Bend; up to 500 students at a proposed Marine Studies Campus in Newport; and 7,000 or more degree-seeking students enrolled at Oregon State entirely online. Four-year degree programs were offered for the first time at our OSU-Cascades branch campus as we welcomed our first class of freshmen in fall 2015. This campus will serve students who want to remain in Central Oregon and attend a four-year college, and it will also provide resident Oregonian, out-of-state and international students with an alternative to our Corvallis campus.

Tuition rates and college affordability continue to be a key concern among OSU leadership, students and their families. Following a decade or more of declining state support for higher education, we know that on average, each Oregon resident undergraduate attending OSU has an unmet need each year of $7,256. And for students who are Pell Grant-eligible, that unmet need is $9,601 annually. These are near-impossible financial burdens for students and their families. We must find ways by 2020 to ensure that an OSU degree is an affordable reality for all qualified Oregonians.

Moving forward, Oregon State will continue to practice sound financial management and work to address cost as a barrier to access for students or an impediment to our students' completion of their college degrees.

OSU has been Oregon's statewide university for 148 years. As we move toward our 150th year of service to the state and its people, we will work toward greater accomplishments for our students and all those we serve.

Edward J. Ray

Edward J. Ray

POINTS of Pride

No. 7 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)**

No. 12 LGBTQ Friendly **(Great Value Colleges)**

No. 10 Transgender Friendly **(College Magazine)**

With high scores in campus safety, academic life, student life, housing, institutional support and other criteria, Oregon State offers a nationally ranked positive environment for lesbian, gay, bisexual, transgender and queer students.

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

Oregon State graduates earn a median salary of $86,200 at mid-career, the most of any public university in the state. **(Pay Scale)**

No. 10 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. 4 COLLEGE TOWN

Ranked for its innovation, education, entertainment and livability, Corvallis is among the nation's top-10 college towns. **(College Magazine)**

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

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 (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2016 and 2015, 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 2016 financial statements of the aggregate discretely presented component units, the Oregon State University Foundation and the Agricultural Research Foundation. We did not audit the 2015 financial statements of the Oregon State University Foundation, which represents 96%, 98% and 91%, respectively, of the assets, net assets, and revenues for 2015. 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 in 2016 and 2015 and the Agricultural Research Foundation for 2016, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the the Oregon State University Foundation and the Agricultural Research Foundation, aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the University as of June 30, 2016 and 2015, 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 management's discussion and analysis on pages 9 - 20, the schedule of the University's contributions, the schedule of the University's proportionate share of the net pension liability on page 58, and the schedule of funding status of Other Post Employment Benefits on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

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

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
October 31, 2016

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, 2016, 2015, and 2014. 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

	2016	2015	2014	2013	2012
Corvallis	**21,658**	21,939	21,844	21,634	21,102
Cascades	**650**	600	541	479	474
Ecampus	**4,731**	4,089	3,684	3,030	2,464
Total	**27,039**	26,628	26,069	25,143	24,040

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, 2016 of $3 million and an increase of $266 million in 2015. The increase to net position in 2016 was primarily due to an increase in net investment in capital assets which resulted in part due to the removal of $21.4 million in premiums, discounts, and deferred gain/loss on legacy debt as per 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, which includes education, auxiliary and general business type activities, added $7 million to unrestricted net position. See Note 10 Unrestricted Net Position.

The largest increase in net position in 2015 was to net investment in capital assets which increased $246 million primarily due to the removal of state paid debt as part of the OSU change to an independent university. See Note 19. The first year reporting of the net pension asset and associated reporting requirements decreased unrestricted net position by $21 million while unrestricted operations increased unrestricted net position by $48 million. 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,	2016	2015	2014
Current Assets	$ 198	$ 238	$ 237
Noncurrent Assets	206	238	156
Capital Assets, Net	1,072	978	890
Total Assets	$ 1,476	$ 1,454	$ 1,283
Deferred Outflows of Resources	$ 28	$ 25	$ 11
Current Liabilities	$ 186	$ 180	$ 162
Noncurrent Liabilities	549	482	660
Total Liabilities	$ 735	$ 662	$ 822
Deferred Inflows of Resources	$ 28	$ 79	$ -
Net Investment in Capital Assets	$ 678	$ 565	$ 325
Restricted - Nonexpendable	5	5	4
Restricted - Expendable	83	107	115
Unrestricted	(25)	61	28
Total Net Position	$ 741	$ 738	$ 472

Total Assets and Deferred Outflows of Resources

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. During 2015, Total Assets increased by $171 million, or 13 percent, due to increases in net capital assets, investments, accounts receivable and the recording of a new net pension asset resulting from the implementation of GASB Statement No. 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*. These increases were slightly offset by decreases in cash and cash equivalents and notes receivable.

Comparison of fiscal year 2016 to fiscal year 2015

Current Assets decreased by $40 million, or 17 percent.

- Current cash and cash equivalents decreased by $37 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, student tuition and fees, and component units. See Note 3 Accounts Receivable 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 Notes Receivable 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.

Noncurrent (Noncapital) Assets decreased by $32 million, or 13 percent.

- Noncurrent cash and cash equivalents decreased by $5 million mainly as the result of a decrease in cash held for capital construction and due to a large portion of noncurrent cash transferred to investments.
- Investments increased by $15 million as the result of the University converting a greater portion 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 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 related to pension expense increased by $11 million. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2015 to fiscal year 2014

Current Assets decreased by less than $1 million, or less than 1 percent.

- Current cash and cash equivalents decreased by $33 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015. Collectively, current cash and cash equivalents, noncurrent cash and cash equivalents, and investments increased by a net of $10 million during fiscal year 2015.
- Accounts receivable increased by $32 million due to a significant increase in receivables at year end for capital construction projects. The reason that accounts receivable related to capital construction increased so significantly is due to a change in the way that state backed bonds (XI-F(1), XI-G, XI-Q and Lottery bonds) are issued and held. Historically, when OSU was a member university of the OUS, bonds were issued by the State Board of Higher Education and the universities received cash up front for construction projects at the time of the bond sale. Now that OSU is an independent legal entity, and no longer a state agency, the State issues the bonds and holds the cash, and OSU requests reimbursement for funds after they are spent. Receivables related to federal grants and contracts also increased, offset by a decrease in other receivables and in the allowance for doubtful accounts. See Note 3 Accounts Receivable for additional information.

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

- Noncurrent cash and cash equivalents decreased by $18 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015, combined with a decrease in cash held for capital construction which resulted from the change in the way the University receives bond proceeds from the State.
- Investments increased by $61 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015.
- OSU recorded a $41 million net pension asset as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 15 Employee Retirement Plans for additional information on this change.

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

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

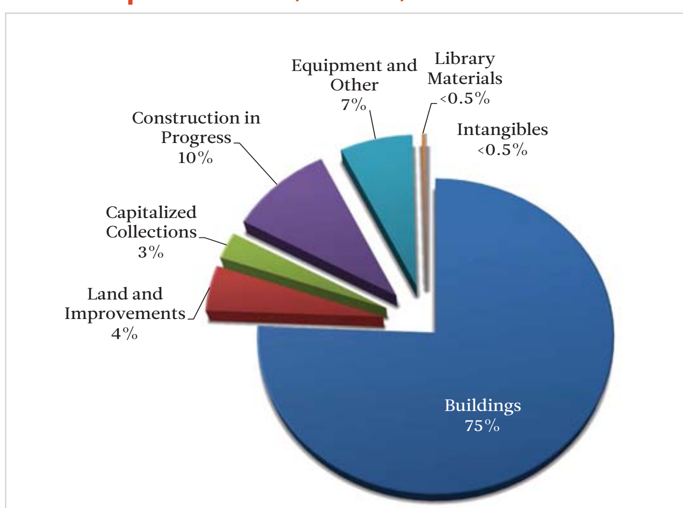
- Deferred outflows related to deferred gain/loss on long-term debt bond refunding decreased by $2 million due to the removal of state paid debt. See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information on this change.
- OSU recorded $16 million in deferred outflows as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 6 Deferred Outflows and Deferred Inflows of Resources for additional information on this change.

Capital Assets and Related Financing Activities

Capital Assets

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. At June 30, 2015, OSU had $1.7 billion in capital assets, less accumulated depreciation of $695 million, for net capital assets of $978 million. During fiscal year 2016, $110 million in construction projects were completed and placed into service as compared to $175 million in fiscal year 2015. 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.

2016 Capital Assets, Net $1,072 Million



Changes to Capital Assets
(in millions)

	2016	2015	2014
Capital Assets, Beginning of Year	$ 1,673	$ 1,546	$ 1,397
Add: Purchases/Construction	146	139	155
Less: Retirements/Adjustments	(17)	(12)	(6)
Total Capital Assets, End of Year	1,802	1,673	1,546
Accum. Depreciation, Beginning of Year	(695)	(656)	(608)
Add: Depreciation Expense	(50)	(50)	(50)
Less: Retirements/Adjustments	15	11	2
Total Accum. Depreciation, End of Year	(730)	(695)	(656)
Total Capital Assets, Net, End of Year	$ 1,072	$ 978	$ 890

Capital additions totaled $146 million for 2016, $139 million for 2015, and $155 million for 2014.

Accumulated depreciation at June 30, 2016 increased by $35 million, which represented $50 million in depreciation and amortization expense offset by $15 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2015 increased by $39 million, which represented $50 million in depreciation and amortization expense offset by $11 million in asset retirements and adjustments. During 2015, OSU changed its estimates for real property useful lives and the capitalization threshold for certain assets. These changes decreased depreciation by $6 million for fiscal year 2015.

Debt Administration

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

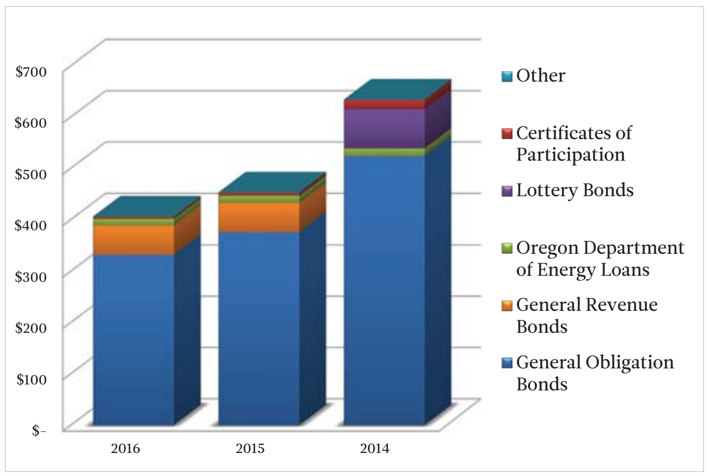
- Premiums and discounts associated with institution paid legacy debt totaling $30 million were removed in accordance with debt agreements between the State and the University.
- The State issued on behalf of OSU an additional $260 thousand (par value) of new XI-Q General Obligation Bonds earmarked for 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.

During 2015, long-term debt held by OSU decreased by $181 million, or 29 percent, from $634 million to $453 million.

- State paid debt totalling $225 million of General Obligation Bonds, Certificates of Participation and Lottery Bonds were removed.
- The State issued on behalf of OSU an additional $19 million (par value) of new XI-F(1) General Obligation Bonds earmarked for refunding outstanding debt obligations.
- With the $19 million of new bond proceeds, the State refunded on behalf of OSU $20 million (par value) in XI-F(1) General Obligation Bonds.
- OSU issued $51 million (par value) in General Revenue bonds with the proceeds earmarked for the construction and acquisition of capital assets.
- OSU made debt service principal payments totalling $13 million on outstanding long-term debt.
- OSU's obligation for premiums, discounts and accredited interest on outstanding debt increased by a net $7 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 $73 million, or 11 percent, during 2016 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. During 2015, total liabilities decreased by $160 million, or 19 percent, primarily due to the removal of state paid debt. See Note 9 and Note 19 for additional information.

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.

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 GASB Statement Nos. 68 and 71. 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 Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2015 to fiscal year 2014

Current Liabilities increased by $18 million, or 11 percent.

- Accounts payable and accrued liabilities increased by $15 million mainly due to an increase in the amounts held in agency funds at year-end for payroll vendor payments offset by a decrease in accrued interest payable.
- Unearned revenues increased by $4 million due to increases in summer session tuition and grants and contracts.
- Deposits increased by $2 million due mainly to funds deposited at OSU on behalf of the OUS Chancellor's Office. These funds were used to pay final invoices after the OUS was officially closed.
- The current portion of long-term liabilities decreased by $5 million as a result of the removal of state paid debt from OSU's long-term liabilities.

Noncurrent Liabilities decreased by $178 million, or 27 percent, primarily due to the removal of $225 million in state paid debt, offset by the addition of $51 million (par value) in General Revenue bonds. See Debt Administration earlier in this MD&A, as well as Notes 9 and 19 for additional information.

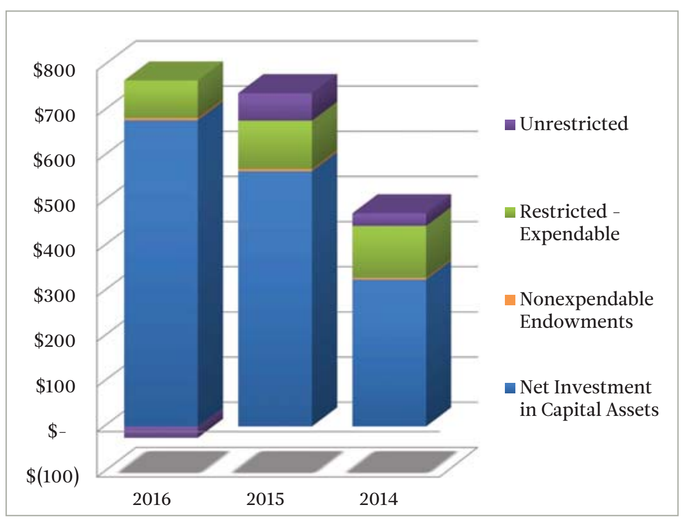
Deferred Inflows of Resources increased by $79 million as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 6 Deferred Outflows and Deferred Inflows of Resources for additional information.

Total Net Position

Total net position (TNP) increased by $3 million, or less than one 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. See Note 10 Unrestricted Net Position for more information.

TNP increased by $266 million, or 56 percent, between 2014 and 2015. Net investment in capital assets increased by $240 million; restricted expendable net position decreased by $8 million; and unrestricted net position increased by $33 million.

The graph below illustrates how the composition of net position has changed since 2014, primarily due to the removal of state paid debt, and the recognition of OSU's pension liability. (in millions)



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 $36 million increase to accumulated depreciation. Additionally, there was a net decrease of $20 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 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 $7 million.
- Changes associated with year-end liability accruals for the net pension liability decreased unrestricted net position by $93 million.

See Note 10 Unrestricted Net Position for additional information.

Comparison of fiscal year 2015 to fiscal year 2014

Net Investment in Capital Assets increased by $240 million, or 74 percent.

- Capital asset additions added $139 million, including $116 million in construction in progress and $16 million in equipment purchases. Additions were offset by $12 million in retirements related mostly to buildings and equipment.
- Capital asset increases were further offset by a net increase of $39 million to accumulated depreciation on prior and newly completed or purchased assets. See Note 5 Capital Assets for additional information.
- Additionally, there was a net decrease of $152 million in long-term debt outstanding attributable to the capital assets due to the removal of state paid debt and debt service payments made on outstanding debt, offset by the addition of new debt. See Note 9 and Note 19 for additional information.

Restricted Expendable Net Position decreased by $8 million, or 6 percent.

- Net position relating to funds reserved for debt service decreased by $9 million primarily due to the removal of state paid debt from the long-term liabilities of OSU.
- Net position restricted for gifts, grants and contracts increased by $2 million primarily due to a new $2 million quasi-endowment gift of forest land.
- Net position restricted for capital construction decreased by $1 million due to spend down of previously received bond proceeds for construction.

Unrestricted Net Position increased by $33 million, or 118 percent.

- Unrestricted net position was increased by $32 million due to the refunding of temporary internal loans made during fiscal year 2014.
- Improved unrestricted operating performance added $2 million.
- Accreted interest associated with long-term liabilities decreased by $5 million due to the removal of accreted interest associated with state paid debt, resulting in a corresponding increase in unrestricted net position.
- The release of capital project reserves from governing restrictions increased unrestricted net position by $12 million.
- Closing the OUS Chancellor's Office, which resulted in the transfer of a portion of OUS net position to OSU, increased unrestricted net position by $3 million.
- The impact of the implementation of GASB Statement Nos. 68 and 71 on pension expense decreased unrestricted net position by $21 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 nonoperating revenue, OSU shows a loss from operations. State general fund appropriations, nonexchange grants and noncapital gifts, although considered nonoperating revenue under GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2016	2015	2014
Operating Revenues	$ 720	$ 686	$ 622
Operating Expenses	1,093	919	911
Operating Loss	(373)	(233)	(289)
Nonoperating Revenues, Net of Expenses	286	271	242
Other Revenues, Net of Expenses	69	78	38
Increase (Decrease) in Net Position Prior to Special/Extraordinary Items	(18)	116	(9)
Special and Extraordinary Items	21	225	-
Increase (Decrease) in Net Position After Special/Extraordinary Items	3	341	(9)
Net Position, Beginning of Year	738	397	481
Net Position, End of Year	$ 741	$ 738	$ 472

Revenues and Special Items

Total revenues decreased by $161 million, or 13 percent, in 2016 over 2015. This decrease was attributable to the Special/Extraordinary revenue item associated with the removal of state paid debt from OSU's financial statements in 2015. When this item is excluded from the analysis in both years, total revenues increased by $43 million in 2016, due to increases of $34 million and $9 million in total operating revenues and total nonoperating revenues, respectively.

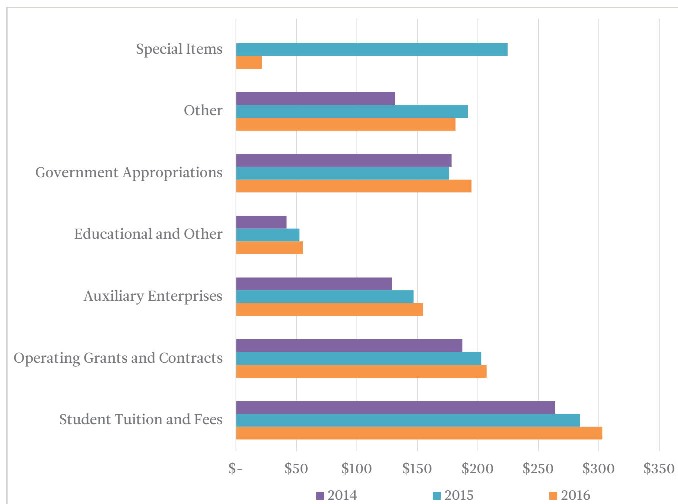
Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)

For the Year Ended June 30,	2016	2015	2014
Student Tuition and Fees	$ 303	$ 284	$ 264
Grants and Contracts	207	203	187
Auxiliary Enterprises	155	147	129
Educational and Other	55	52	42
Total Operating Revenues	720	686	622
Government Appropriations	195	176	178
Financial Aid Grants	47	45	45
Gifts	54	54	48
Investment Activity	12	15	17
Capital Grants and Gifts	68	77	25
Nonoperating and Other Items	1	1	(3)
Total Nonoperating and Other Revenues	377	368	310
Special/Extraordinary Items	21	225	-
Total Revenues	$ 1,118	$ 1,279	$ 932

Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)



Operating Revenues

Operating revenues increased by $34 million in 2016, or 5 percent, over 2015, to $720 million. The increase is due to increased revenue in most categories of operating revenue with the largest increase occurring in student tuition and fees. Operating revenues increased by $64 million in 2015, or 10 percent, over 2014. The increase is due to increased revenue in all categories of operating revenue with the largest increases occurring in student tuition and fees, federal grants and contracts, and auxiliary revenues.

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 $18 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 $8 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 $4 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 bowl income, athletic conference TV share, sponsorships and guarantees. These increases were slightly offset by decreased ticket revenue.
- Other auxiliaries 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 increases in revenues from sales, 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.

Comparison of fiscal year 2015 to fiscal year 2014

Net Student Tuition and Fees increased by $20 million, or 8 percent.

- Higher tuition and fee rates accounted for $17 million of the increase. A portion of the rate increase includes the continued phase-out of the tuition plateau for students taking between 12 and 15 credit hours per term.
- A 2.1 percent FTE student enrollment increase added $8 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $5 million more than in the prior year.

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

- Federal grant and contract revenues increased by $13 million due to increases in research and development grants and contracts.
- State grant and contract revenues increased by $3 million primarily due to increases in state and local grants.

Auxiliary Enterprise revenues increased by $18 million, or 14 percent.

- Housing and dining revenues increased by $4 million mainly due to increases in rates and usage.
- Athletics revenues increased by $9 million due to increases in football bowl revenue share, athletic conference TV share, and sponsorship revenue.
- Student health services increased by $2 million due primarily to an increase in insurance enrollment.
- Parking services increased by $1 million due to an increase in parking permit fees.
- Other auxiliaries increased by $2 million due to increases in student incidental fees, sales and services, and miscellaneous revenue.

Educational and Other revenues increased by $10 million, or 24 percent.

- Educational department sales revenue increased by $8 million due mainly to increases in sales and services.
- Other operating revenues increased by $2 million due mainly to increases in miscellaneous revenue and reimbursements from outside entities.

Nonoperating and Other Revenues

The increase in total nonoperating and other revenues of $9 million during 2016 resulted mainly from an increase in government appropriations that was offset by decreases in capital grants and gifts. The increase in total nonoperating and other revenues of $58 million during 2015 resulted mainly from increases in capital grants and gifts and noncapital gifts. As a result of the change in governance and legal status of the University, bonds used by the university but repaid with state general funds or lottery dollars are now recorded by the university as capital grants. In fiscal year 2015, OSU recorded $34 million in capital grants from the State. See Note 1 Organization and Summary of Significant Accounting Policies and Note 9 Long-Term Liabilities for more information.

Comparison of fiscal year 2016 to fiscal year 2015

Government Appropriations increased by $19 million, or 11 percent.

- State appropriations increased by $19 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 Government Appropriations 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 commercial business gift-in-kind revenue.

Investment Activity revenues decreased by $3 million, or 20 percent. See Note 12 Investment Activity 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.

Comparison of fiscal year 2015 to fiscal year 2014

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

- State appropriations for OSU operations increased by $12 million due to an increase in funding received from the State.
- Federal and county appropriations in support of the statewide public services increased by $2 million.
- Debt service appropriations decreased by $16 million due to the removal of state paid debt. OSU will no longer receive general fund or lottery funds for the repayment of XI-G, XI-Q, COPs and Lottery debt which is paid by the State. See Note 9 Long-Term Liabilities for additional details on this change.

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

Financial Aid Grants were relatively unchanged.

Gifts increased by $6 million, or 13 percent, due mainly to increases in gift revenue received from the OSU Foundation, other foundations and associations, and a new quasi-endowment of forest land valued at $2.12 million.

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

Capital Grants and Gifts increased by $52 million, or 208 percent, due to an increase in capital gift revenue of $19 million from the OSU Foundation as well as $34 million in capital grants from the State. These increases were offset by decreases in capital gifts from other sources.

Nonoperating and Other Items increased slightly, but represent a very small portion of revenue to the university.

Special and Extraordinary Items

Comparison of fiscal year 2016 to fiscal year 2015

Special and Extraordinary Items represents 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 and is expected to eventually disappear as the dissolution of the OUS is fully absorbed by the University. 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.

Comparison of fiscal year 2015 to fiscal year 2014

Special and Extraordinary Items increased by $225 million due mostly to OSU recording a special item of $225 million in cash and reduced liabilities. The closing of the OUS Chancellor's Office resulted in the transfer of $3 million in cash to OSU. The removal of state paid debt and deferred outflows for unamortized gain/loss associated with the debt added another $223 million. Other changes totaled a net decrease of $2 million. See Note 19 Change in Entity for additional information.

Expenses

Operating Expenses

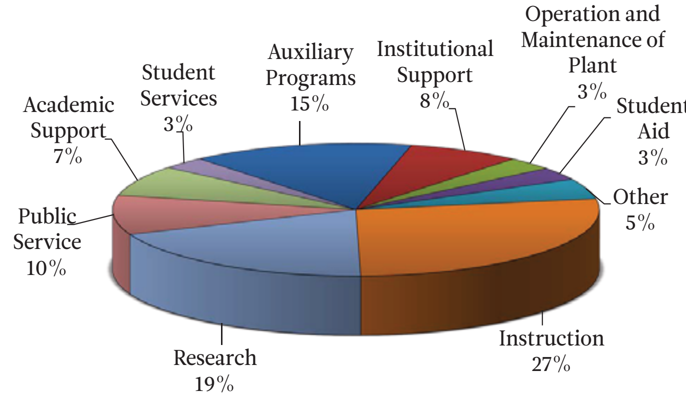
Operating expenses increased by $174 million in 2016, or 19 percent, over 2015, to $1,093 million. The 2016 increase resulted mainly from a $146 million swing in compensation and benefit costs associated with reporting requirements under GASB Statement Nos. 68 and 71. Operating expenses increased by $8 million in 2015, or 1 percent, over 2014, to $919 million. The 2015 increase resulted from higher expenses in most categories, with the biggest overall increases in institutional support and student aid. Those increases were offset by decreases in instruction, academic support and operations and maintenance of plant. An increase to true operating expenses was offset by a decrease of $53 million to compensation and benefits associated with the implementation of GASB Statement Nos. 68 and 71. See the following discussion on the effect of GASB Statement Nos. 68 and 71 on operating expenses by function.

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

Operating Expenses by Function

For the Year Ended June 30,	**2016**	2015	2014
Instruction	**$ 298**	$ 240	$ 244
Research	**210**	181	180
Public Service	**105**	82	78
Academic Support	**82**	61	62
Student Services	**32**	27	26
Auxiliary Programs	**162**	144	144
Institutional Support	**82**	65	61
Operations & Maintenance of Plant	**34**	30	31
Student Aid	**34**	33	30
Other Operating Expenses	**54**	56	55
Total Operating Expenses	**$ 1,093**	$ 919	$ 911

2016 Operating Expenses by Function



Beginning with fiscal year 2015, the implementation of GASB Statement No. 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*, had a profound impact on the operating expenses reported by OSU. The following shows 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, 2016	As Reported	Without GASB 68/71	Difference
Instruction	$ 298	$ 270	$ 28
Research	210	196	14
Public Service	105	93	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	181	190	(9)
Public Service	82	88	(6)
Academic Support	61	66	(5)
Student Services	27	29	(2)
Auxiliary Programs	144	149	(5)
Institutional Support	65	65	-
Operation & Maintenance of Plant	30	36	(6)
Student Aid	33	33	-
Other Operating Expenses	56	57	(1)
Total Operating Expenses	$ 919	$ 972	$ (53)

Absent the impact of GASB Statement Nos. 68 and 71 on compensation and benefits, total operating expenses for OSU would have increased by $28 million, or 3 percent, during 2016 and by $61 million, or 7 percent, during 2015.

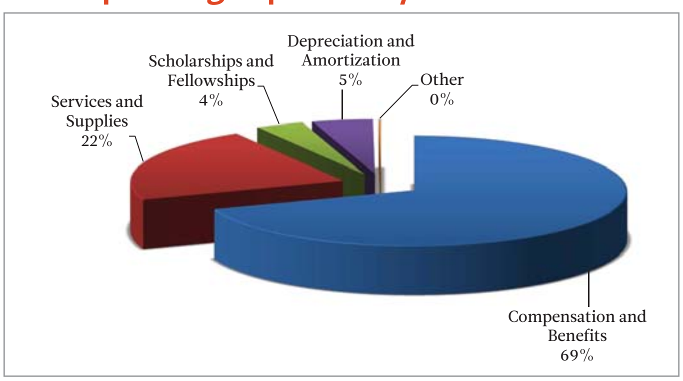
Operating Expenses by Nature

Due to the way in which expenses are incurred by OSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to several of the functional expense caption items. See Note 13 Operating Expenses by Natural Classification for additional information.

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

For the Year Ended June 30,	2016	2015	2014
Compensation and Benefits	**$ 759**	$ 584	$ 598
Services and Supplies	**242**	244	219
Scholarships and Fellowships	**40**	39	43
Depreciation and Amortization	**50**	50	50
Other	**2**	2	1
Total Operating Expenses	**$ 1,093**	$ 919	$ 911

2016 Operating Expenses by Nature



Comparison of fiscal year 2016 to fiscal year 2015

Compensation and Benefit costs increased by $175 million, or 30 percent.

- Salary and wage costs increased by $17 million due to additional staff and faculty hires combined with wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- 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 Employee Retirement Plans, Change in Plan Provisions for additional information on this variance.

Services and Supplies expenses decreased by $2 million, or 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.

Comparison of fiscal year 2015 to fiscal year 2014

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

- Salary and wage costs increased by $30 million due to additional staff and faculty hires combined with wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Other payroll expenses decreased by $3 million mainly due to a decrease in accrued payroll expense related to terminated employee liabilities recorded in fiscal year 2014. See Note 9 Long-Term Liabilities for additional information on this variance.
- The first year implementation of GASB Statement Nos. 68 and 71 resulted in a net decrease to compensation and benefits of $53 million. See table on previous page and Note 15 Employee Retirement Plans for additional information on this variance.

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

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

Scholarships and Fellowships costs decreased by $4 million, or 9 percent.

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

Depreciation and Amortization expense was relatively unchanged from the prior year. An increase in depreciation expense resulting from recently constructed or refurbished buildings being placed in service was offset by a decrease in depreciation expense resulting from the change in accounting estimate implemented by OSU during fiscal year 2015.

Nonoperating Expenses

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.

Comparison of fiscal year 2015 to fiscal year 2014

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

Loss on Sale or Disposal of Fixed Assets increased by $1 million, or 850 percent, due to increased disposal of assets in fiscal year 2015.

Economic Outlook

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

Public higher education in Oregon continues to face familiar challenges – inadequate state support (despite a welcome boost in funding for the 2015-17 biennium), 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. Both undergraduate and international enrollment growth have slowed, but with an increase in non-resident student enrollment and only modest decline in the resident freshmen class. OSU continues to monitor the potential impact on enrollment due to the Oregon Promise program (also known as "free community college"). Oregon Promise grants will first be available for the fall term of 2016-17.

In the research arena, federal opportunities are stagnant in many areas. However, OSU maintains its strategy to diversify its research portfolio with a focus on core strengths – marine studies; food and water security; sustainable energy and built infrastructure; climate change and adaptation; and health promotion, disease prevention and management. Technology licensing, nonprofit and industry sources all represent opportunities for further research and development expansion. Total awards have continually grown since fiscal year 2013 with record setting research funding again achieved in fiscal year 2016.

The volatility of state funding levels has been a significant challenge for public universities in Oregon. From the 2007-09 biennium through the 2013-15 biennium, the State reduced its total support to universities by 11 percent. Funding specifically for education and general purposes decreased 18 percent over that same period, which compelled OSU to seek greater operating efficiency through reduced costs; build enrollments of out-of-state and international students who pay higher tuition rates; and increase tuition rates for all students. By 2015, Oregon's economy had improved and the universities benefitted from the expected growth in the State's revenues. Total public universities' state funding for the 2015-17 biennium education and general support increased by 28% over the prior biennium. However, it is not clear that this level of state support will be sustained in the 2017-19 biennium. Elements of the State's 2013 pension reforms were subsequently overturned by the Oregon Supreme Court which will result in significantly higher pension costs for the 2017-19 biennium. In combination with increased costs for health care services, the State's funding gap for all services is projected to be about $1 billion, despite expectations for continued revenue growth and barring any changes in the State's tax structure. OSU continues to model various scenarios to be prepared for a range of possible state funding outcomes.

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.

Statements of Net Position

As of June 30,	University 2016	2015
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 45,000	$ 82,123
Collateral from Securities Lending (Note 2)	7,247	12,747
Accounts Receivable, Net (Note 3)	131,590	131,097
Notes Receivable, Net (Note 4)	4,045	4,970
Inventories	1,925	1,915
Prepaid Expenses	8,039	4,334
Total Current Assets	**197,846**	237,186
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	10,713	15,704
Investments (Note 2)	177,787	162,841
Notes Receivable, Net (Note 4)	17,903	18,771
Net Pension Asset (Note 15)	-	40,834
Capital Assets, Net of Accumulated Depreciation (Note 5)	1,071,600	978,239
Total Noncurrent Assets	**1,278,003**	1,216,389
Total Assets	**$ 1,475,849**	$ 1,453,575
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 28,203**	$ 24,873
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 82,877	$ 78,060
Deposits	1,734	2,533
Obligations Under Securities Lending (Note 2)	7,247	12,747
Current Portion of Long-Term Liabilities (Note 9)	41,228	42,064
Unearned Revenues	52,692	44,313
Total Current Liabilities	**185,778**	179,717
Noncurrent Liabilities		
Long-Term Liabilities (Note 9)	434,306	482,208
Net Pension Liability (Note 15)	114,748	-
Total Noncurrent Liabilities	**549,054**	482,208
Total Liabilities	**$ 734,832**	$ 661,925
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 27,943**	$ 78,792
NET POSITION		
Net Investment in Capital Assets	$ 678,484	$ 564,735
Restricted For:		
Nonexpendable Endowments	4,956	4,827
Expendable:		
Gifts, Grants and Contracts	41,907	45,979
Student Loans	31,862	34,744
Capital Projects	5,565	23,020
Debt Service	3,334	3,798
Unrestricted (Note 10)	(24,831)	60,628
Total Net Position	**$ 741,277**	$ 737,731

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

Statements of Financial Position

As of June 30,	Component Units 2016	2015
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	$ 5,244	$ 6,850
Investments	595,871	558,352
Contributions, Pledges and Grants Receivable, Net	51,534	45,072
Assets Held-For-Sale	4,299	5,428
Assets Held Under Split-Interest Agreements	52,233	54,462
Charitable Trusts Held Outside the Foundation	15,706	14,839
Prepaid Expenses and Other Assets	3,157	2,381
Property and Equipment, Net	4,842	4,730
Total Assets	**$ 732,886**	$ 692,114
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 7,179	$ 9,227
Endowment Assets Held for OSU	42,476	-
Accounts Payable to the University	3,512	6,825
Obligations to Beneficiaries of Split-Interest Agreements	23,716	25,422
Deposits and Unearned Revenue	8,160	7,210
Long-Term Liabilities	8	-
Total Liabilities	**85,051**	48,684
NET ASSETS		
Unrestricted	(10,085)	4,436
Temporarily Restricted	272,133	264,802
Permanently Restricted	385,787	374,192
Total Net Assets	**647,835**	643,430
TOTAL LIABILITIES AND NET ASSETS	**$ 732,886**	$ 692,114

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

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	University 2016	2015
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $73,333 and $65,899, respectively)	$ 302,949	$ 284,360
Federal Grants and Contracts	176,078	171,063
State and Local Grants and Contracts	9,033	9,492
Nongovernmental Grants and Contracts	22,102	22,303
Educational Department Sales and Services	46,651	42,174
Auxiliary Enterprises (Net of Allowances of $2,850 and $3,102, respectively)	154,722	146,900
Other Operating Revenues	8,765	10,320
Total Operating Revenues	**720,300**	686,612
OPERATING EXPENSES		
Instruction	297,970	239,678
Research	209,981	180,981
Public Service	104,384	81,666
Academic Support	81,854	60,532
Student Services	32,345	27,057
Auxiliary Programs	161,825	144,213
Institutional Support	82,001	65,210
Operation and Maintenance of Plant	34,269	30,411
Student Aid	34,264	33,450
Other Operating Expenses	54,248	56,264
Total Operating Expenses (Note 13)	**1,093,141**	919,462
Operating Loss	**(372,841)**	(232,850)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 14)	193,616	175,170
Financial Aid Grants	47,093	45,093
Gifts	53,751	54,578
Investment Activity (Note 12)	11,925	14,876
Gain (Loss) on Sale of Assets, Net	(1,287)	(1,501)
Interest Expense	(19,944)	(17,750)
Other Nonoperating Items	975	173
Total Net Nonoperating Revenues	**286,129**	270,639
Income (Loss) Before Other Revenues	**(86,712)**	37,789
OTHER REVENUES (EXPENSES)		
Debt Service Appropriations (Note 14)	1,084	1,100
Capital Grants and Gifts	67,614	76,587
Changes to Permanent Endowments	129	450
Total Net Other Revenues	**68,827**	78,137
Increase (Decrease) In Net Position Prior to Special/Extraordinary Items	**(17,885)**	115,926
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 19)	21,431	224,667
Increase (Decrease) In Net Position After Special/Extraordinary Items	**3,546**	340,593
NET POSITION		
Beginning Balance	737,731	397,138
Ending Balance	**$ 741,277**	$ 737,731

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

For the Year Ended June 30,	Component Units 2016	2015
	(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 6,005	$ 5,477
Interest and Dividends	3,189	3,121
Investment Income (Loss), Net	(11,297)	(9,154)
Net Assets Released From Restrictions and Other Transfers	76,420	93,730
Other Revenues	15,546	14,785
Total Revenues	**89,863**	107,959
EXPENSES		
University Support	72,561	90,162
Management, General and Development Expenses	21,900	21,273
Investment Expense	9,923	9,018
Total Expenses	**104,384**	120,453
Increase (Decrease) In Unrestricted Net Assets	**(14,521)**	(12,494)
Beginning Balance, Unrestricted Net Assets	4,436	16,930
Ending Balance, Unrestricted Net Assets	**$ (10,085)**	$ 4,436
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 66,961	$ 63,613
Interest and Dividends	10,342	11,426
Investment Income (Loss), Net	73	(4,911)
Change in Value of Life Income Agreements	(117)	(308)
Other Revenues	7,498	8,423
Net Assets Released From Restrictions and Other Transfers	(77,426)	(96,624)
Increase (Decrease) In Temporarily Restricted Net Assets	**7,331**	(18,381)
Beginning Balance, Temporarily Restricted Net Assets	264,802	283,183
Ending Balance, Temporarily Restricted Net Assets	**$ 272,133**	$ 264,802
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 11,511	$ 18,848
Interest and Dividends	130	159
Investment Income (Loss), Net	(49)	(530)
Change in Value of Life Income Agreements	(1,152)	(673)
Other Revenues	149	46
Net Assets Released From Restrictions and Other Transfers	1,006	2,894
Increase (Decrease) In Permanently Restricted Net Assets	**11,595**	20,744
Beginning Balance, Permanently Restricted Net Assets	374,192	353,448
Ending Balance, Permanently Restricted Net Assets	**$ 385,787**	$ 374,192
Beginning Balance	$ 643,430	$ 653,561
Increase (Decrease) In Total Net Assets	**4,405**	(10,131)
Ending Balance	**$ 647,835**	$ 643,430

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

For the Year Ended June 30,	University 2016	University 2015
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 310,418	$ 291,016
Grants and Contracts	202,470	200,454
Educational Department Sales and Services	46,651	42,174
Auxiliary Enterprise Operations	154,077	143,817
Payments to Employees for Compensation and Benefits	(666,380)	(618,663)
Payments to Suppliers	(242,804)	(249,289)
Student Financial Aid	(40,161)	(41,011)
Other Operating Receipts (Payments)	145	12,917
Net Cash Provided (Used) by Operating Activities	**(235,584)**	(218,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	193,616	175,170
Financial Aid Grants	47,093	45,093
Private Gifts Received for Endowment Purposes	129	450
Other Gifts and Private Contracts	54,726	54,751
Net Agency Fund Receipts (Payments)	(799)	1,570
Cash Transfer Due to Reorganization	-	3,394
Net Cash Provided (Used) by Noncapital Financing Activities	**294,765**	280,428
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	1,084	1,100
Capital Grants and Gifts	82,816	42,097
Bond Proceeds from Capital Debt	704	80,288
Sales of Capital Assets	1,306	307
Purchases of Capital Assets	(147,137)	(137,220)
Interest Payments on Capital Debt	(19,729)	(19,595)
Principal Payments on Capital Debt	(17,326)	(33,775)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(98,282)**	(66,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(15,270)	(62,124)
Interest Receipts on Investments and Cash Balances	12,257	15,847
Net Cash Provided (Used) by Investing Activities	**(3,013)**	(46,277)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(42,114)**	(51,232)
CASH AND CASH EQUIVALENTS		
Beginning Balance	97,827	149,059
Ending Balance	**$ 55,713**	$ 97,827

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

For the Year Ended June 30,	University 2016		University 2015	
	(In thousands)			
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Loss	$	(372,841)	$	(232,850)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense		50,520		49,538
Changes in Assets and Liabilities:				
Accounts Receivable		(16,711)		(3,922)
Notes Receivable		1,793		1,796
Inventories		(10)		45
Prepaid Expenses		(3,705)		(647)
Pension Expense Changes Related to Net Pension Asset/(Liability)		93,201		(53,271)
Accounts Payable and Accrued Liabilities		6,361		16,762
Long-Term Liabilities		(2,571)		(362)
Unearned Revenues		8,379		4,326
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$**	**(235,584)**	$	(218,585)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Capital Assets Acquired by Gifts-in-Kind	$	1,016	$	1,414
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity		(332)		(971)
Removal of State Paid Debt		21,351		223,189

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 its related foundations, which are discretely presented as component units on the basic financial statements. OSU includes the main campus in Corvallis and a branch campus in Bend and receives separate appropriations for statewide activities including Agricultural Experiment Stations, Cooperative Extension Service, and Forestry Research Laboratories. See Note 21 University Foundations for additional information regarding the related foundations reported as Component Units. Organizations that are not financially accountable to OSU, such as booster and alumni organizations, are not included in the reporting entity.

OSU is a component unit of the State of Oregon (State) and is included as a discretely presented component unit in the State's Comprehensive Annual Financial Report (CAFR).

B. Financial Statement Presentation

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

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

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

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

OSU implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the fiscal year ended June 30, 2016. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The adoption of GASB Statement No. 72 did not have a material impact on the OSU financial statements. OSU currently holds natural resource assets in the form of forestry endowments that are valued every five years by an external professional. The current value of the forestry endowments is approximately $4,692,074. Additionally, see Note 2, Section B Investments for the new Fair Value Measurement disclosure.

OSU implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pension. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of GASB Statement No. 73 did not have a material impact on the OSU financial statements.

OSU implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective June 30, 2016. GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. The adoption of GASB Statement No. 76 did not have a material impact on the OSU financial statements.

OSU implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no impact resulting from the changes to the presentation of the Required Supplementary Information from the previously reported employee payroll to covered payroll.

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 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 December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statement No. 79 is effective for the fiscal year ending June 30, 2017. OSU is analyzing the effects of the adoption of GASB Statement No. 79 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 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 and is effective for the fiscal year ending June 30, 2018. 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.

Between July 2015 and June 2016, GASB issued the following statements which do not currently apply to OSU, but could under certain circumstances: Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents classified as current assets consist of: cash on hand, cash for current operations, and cash and cash equivalents held for the payment of the current portion of debt service. Cash and cash equivalents classified as non-current assets consist of: cash held as a fiduciary agent for student groups, cash for noncurrent portion of debt service and cash deposits of debt proceeds for capital construction projects. See Note 2, 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. Inventories

Inventories are recorded at cost and consist primarily of supplies in storerooms and physical plant stores.

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. OSU capitalizes equipment with unit costs of $5,000 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 which are funded by borrowings. 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. For the fiscal years ended June 30, 2016 and 2015, capitalized interest totaled $783,034 and $0, respectively. Prior to 2016, OSU's policy on capitalizing interest was to only capitalize interest on projects exceeding $20,000,000. In 2016 the policy was changed to capitalize interest on all qualifying capital projects.

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.

H. Unearned Revenues

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

I. Compensated Absences

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

J. Pension

The net pension liability (asset), 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 is allocated by the Oregon State Department of Administrative Services.

K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans and to net fair value gain or loss on forward foreign currency contracts. See Note 2, Section A, Foreign Currency Risk-Deposits and Note 6 Deferred Outflows and Deferred Inflows of Resources.

L. Net Position

OSU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – NONEXPENDABLE ENDOWMENTS

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

Unrestricted net position represents resources that may be used at the discretion of the Board.

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

M. Endowments

Through fiscal year 2015, Oregon Revised Statutes (ORS) Section 351.130 gave OSU the authority to use the interest, income, dividends, and profits of endowments. Historically, OSU endowment funds were invested and managed through the OUS Chancellor's Office. The State Board of Higher Education policy was to annually distribute, for spending purposes, 4.0 percent of the preceding 20-quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permitted.

In April, 2015, in preparation for the change in endowment asset management, the OUS transferred $33,260,766 in endowment fund cash and investments from the Higher Education Endowment Fund to OSU, and transferred $5,449,511 in alternative investments to the OSU Foundation. OSU recorded a receivable in exchange for the market value of the alternative investments through June 30, 2015. The cash was held as cash and investments at Oregon State Treasury as of June 30, 2015. Effective July 1, 2015, the University transferred the management of most of its endowment assets to the OSU Foundation pursuant to an investment agreement between the University Board and the Foundation. The University continues to manage its timber and forestry land endowments and remainder trusts.

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

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. Nonexpendable endowments on the Statement of Net Position at June 30, 2015, represents the original corpus of true endowment funds of $2,010,466 and the full non-expendable fair value of the real estate endowments of $2,816,870.

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

	June 30, 2016	June 30, 2015
True Endowments		
Corpus	$ 2,384	$ 2,010
Market Valuation	1,669	1,927
Real Estate	2,572	2,817
Total	6,625	6,754
Quasi-Endowments		
Corpus	18,336	12,036
Market Valuation	20,518	23,068
Real Estate	2,120	2,120
Total	40,974	37,224
Total Fair Value of Endowments	$ 47,599	$ 43,978
Invested Endowments:		
Timber and Forestry Land Held by OSU	$ 4,692	$ 4,937
Invested by OSU Foundation*	42,476	5,449
Invested in PUF	299	16,628
Invested by Oregon State Treasury	-	6,361
Total Invested Endowments	47,467	33,375
Endowment Cash in PUF	132	10,603
Total Fair Value of Endowments	$ 47,599	$ 43,978

*As of June 30, 2015, the amount shown as "Invested by OSU Foundation" was recorded as a receivable by the University, rather than included in investments at year end.

N. 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 2016.

O. Revenues and Expenses

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

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

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, OSU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include 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.

P. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprise revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. OSU has two types of scholarship allowances that are netted against gross tuition and fees and housing revenues. Tuition and housing waivers, provided directly by OSU, amounted to $35,914,266 and $30,856,065 for the fiscal years ended 2016 and 2015, 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 $38,258,671 and $35,869,101 for the fiscal years ended 2016 and 2015, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,010,512 and $2,275,420 for the fiscal years ended 2016 and 2015, respectively.

Q. 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 $146,134,803 and $147,865,455 for the fiscal years ended 2016 and 2015, respectively.

R. 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.

2. CASH AND INVESTMENTS

At June 30, 2016 and 2015, the majority of the cash and investments of OSU were held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds for OSU are commingled with operating cash and investments from 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. 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, 2016 and 2015, as follows:

(in thousands):

	June 30, 2016	June 30, 2015
Current		
Unrestricted	**$ 35,035**	$ 60,771
Restricted For:		
Endowment	**130**	10,654
Student Aid	**2,999**	4,255
Debt Service	**458**	1,478
Payroll Withholdings	**6,189**	4,793
Petty Cash	**185**	176
Foreign Currency Fair Value	**4**	(4)
Total Current	**45,000**	82,123
Noncurrent		
Restricted For:		
Capital	**9,069**	14,184
Debt Service	**1,301**	614
Student Groups and Campus Organizations	**343**	906
Total Noncurrent	**10,713**	15,704
Total	**$ 55,713**	$ 97,827

DEPOSITS WITH STATE TREASURY

OSU maintains the majority of its current cash balances on deposit with the State Treasury. These deposits are held on a pooled basis in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state and related agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. 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, 2016 and 2015, OSU cash and cash equivalents on deposit at State Treasury were $55,523,315 and $97,655,045, 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.

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 $77,637 and $141,943 at June 30, 2016 and 2015, 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, 2016 and 2015, respectively, these contracts totaled $293,711 and $780,209. Contracts at June 30, 2016, had a net fair value gain of $4,406. Contracts at June 30, 2015, had a net fair value loss of $4,340.

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.

June 30, 2016
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair 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**

June 30, 2015
(in thousands)

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

OTHER DEPOSITS

For the years ended June 30, 2016 and 2015, OSU had vault and petty cash balances of $185,188 and $176,671, respectively.

B. Investments

As of June 30, 2016, all of OSU's operating funds are invested in the PUF. Additionally, the majority of the endowments are separately invested through the OSU Foundation as the investment manager. There is a small amount of endowments invested through the PUF investment pools. The OSU endowment assets are managed by the University with consultation from its investment manager. At June 30, 2015, all of OSU's operating funds and a portion of the endowments were invested in the PUF. Additionally, a portion of the endowments were separately invested through the State Treasury. Investments in the PUF are invested in either the Oregon Intermediate-Term (OIT) Pool or the Long-Term (LT) Pool.

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, 2016 and 2015.

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

	June 30, 2016	June 30, 2015
Operating Funds		
PUF OIT Pool	$ 82,399	$ 83,955
PUF LT Pool	47,921	50,960
Total Operating Funds	130,320	134,915
Endowment Funds		
Invested by OSU Foundation*	42,476	-
Timber and Forestry Land	4,692	4,937
Invested by State Treasury	-	6,361
PUF OIT Pool	189	10,347
PUF LT Pool	110	6,281
Total Endowment Funds	47,467	27,926
Total Investments	$ 177,787	$ 162,841

*As of June 30, 2015, OSU had an additional $5,449 invested by the OSU Foundation which was recorded as a receivable by the University. See Note 1.M for additional information.

Investments of the OSU discretely presented component units are summarized at June 30, 2016 and 2015, as follows (in thousands):

Component Units

Fair Value at June 30,	2016	2015
Investment Type:		
Mutual Funds, Corporate Stocks and Corporate Bonds	$ 274,425	$ 267,270
Limited Partnerships	167,755	151,914
Global Bonds	53,197	50,275
International Equity	40,575	37,246
Direct Equity Holdings	22,385	21,597
Real Estate Held for Investments	14,940	6,675
Government Securities and Municipal Bonds	12,183	12,667
Certificates of Deposit	208	210
Investment Receivables	193	216
Other	10,010	10,282
Total Investments	$ 595,871	$ 558,352

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OSU has an investment policy for each segment of its investment portfolio. As of June 30, 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.

As of June 30, 2015, approximately 97 percent of the investments in the PUF were subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled

$280,630,425. Fixed income securities which have not been evaluated by the rating agencies totaled $16,842,530. The PUF Investment Pool totaled $307,454,025, of which OSU owned $151,543,382, or 49 percent.

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, 2016 and 2015, 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, there was no single issuer that made up more than 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. Neither the PUF nor the OSU Endowment investments had reportable foreign currency risk at June 30, 2016 or 2015.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. 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. As of June 30, 2015, securities held in the PUF Investment Pool subject to interest rate risk totaled $297,472,997 and had an average duration of 2.74 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 pool 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, 2016 and 2015, respectively, OSU's investment in timber and forestry land was valued at $4,692,076 and $4,936,872. 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.

The following tables present the component unit investments by levels within valuation hierarchy as of June 30, 2016 and 2015:

	Assets at fair value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	$ 232,160	$ 13,603	$ 226,633	$ 472,396
Investment Property	-	-	14,940	14,940
Mortgages and Contracts	-	-	6,357	6,357
Other Nonpooled Investments	80,704	-	21,474	102,178
Total Investments	$ 312,864	$ 13,603	$ 269,404	$ 595,871

	Assets at fair value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	$ 226,944	$ 13,830	$ 204,968	$ 445,742
Investment Property	-	-	6,675	6,675
Mortgages and Contracts	-	-	6,418	6,418
Other Nonpooled Investments	78,695	-	20,822	99,517
Total Investments	$ 305,639	$ 13,830	$ 238,883	$ 558,352

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, 2016 and 2015.

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, 2016 and 2015, is effectively one day. As of June 30, 2016 and 2015, 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 as of June 30, 2016 and 2015, comprised the following (in thousands):

	June 30, 2016	June 30, 2015
Investment Type		
U.S. Treasury and Agency Securities	$ 6,251	$ 13,377
Domestic Fixed Income Securities	2,102	4,002
Total	$ 8,353	$ 17,379

The fair value of the University's share of total cash and securities collateral received as of June 30, 2016 and 2015, was $8,519,567 and $17,741,030, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2016 and 2015, was $7,249,310 and $12,747,401, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2016	June 30, 2015
Federal Grants and Contracts	$ 39,853	$ 30,850
Student Tuition and Fees	36,558	39,882
Capital Construction	18,861	35,079
Auxiliary Enterprises and Other Operating Activities	9,840	9,195
Component Units	7,530	12,287
State, Other Government, and Private Gifts, Grants and Contracts	7,650	5,110
Other	18,683	5,295
	138,975	137,698
Less: Allowance for Doubtful Accounts	(7,385)	(6,601)
Accounts Receivable, Net	$ 131,590	$ 131,097

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, 2016		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 233	$ 630	$ 863
Perkins Loans	4,371	19,604	23,975
	4,604	20,234	24,838
Less: Allowance for Doubtful Accounts	(559)	(2,331)	(2,890)
Notes Receivable, Net	$ 4,045	$ 17,903	$ 21,948

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

5. CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2015	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2016**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 23,273	$ 64	$ 434	$ -	$ 23,771	**$ 7,506**	**$ -**	**$ -**	**$ 31,277**
Capitalized Collections	28,503	246	-	-	28,749	**971**	**-**	**(462)**	**29,258**
Construction in Progress	160,556	116,228	(175,023)	(167)	101,594	**112,841**	**(109,945)**	**(9)**	**104,481**
Intangible Assets in Progress	-	-	-	-	-	**144**	**-**	**-**	**144**
Total Capital Assets, Non-depreciable/Non-amortizable	212,332	116,538	(174,589)	(167)	$ 154,114	**121,462**	**(109,945)**	**(471)**	**165,160**
Capital Assets, Depreciable/ Amortizable:									
Equipment	202,581	15,657	468	(8,019)	210,687	**16,426**	**762**	**(13,201)**	**214,674**
Library Materials	83,191	367	-	-	83,558	**272**	**-**	**(2,843)**	**80,987**
Buildings	980,150	1,500	165,631	(3,824)	1,143,457	**6,370**	**106,939**	**(37)**	**1,256,729**
Land Improvements	20,315	2,387	4,177	(286)	26,593	**792**	**371**	**-**	**27,756**
Improvements Other Than Buildings	10,433	2,269	-	-	12,702	**524**	**-**	**(511)**	**12,715**
Infrastructure	26,820	-	4,313	-	31,133	**626**	**1,564**	**-**	**33,323**
Intangible Assets	9,977	400	-	-	10,377	**-**	**309**	**-**	**10,686**
Total Capital Assets, Depreciable/Amortizable	1,333,467	22,580	174,589	(12,129)	1,518,507	**25,010**	**109,945**	**(16,592)**	**1,636,870**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(144,539)	(15,010)	-	7,245	(152,304)	**(15,754)**	**-**	**12,124**	**(155,934)**
Library Materials	(78,879)	(1,169)	-	-	(80,048)	**(928)**	**-**	**2,843**	**(78,133)**
Buildings	(390,370)	(29,518)	-	3,115	(416,773)	**(29,353)**	**-**	**(116)**	**(446,242)**
Land Improvements	(9,443)	(1,188)	-	194	(10,437)	**(1,653)**	**-**	**(526)**	**(12,616)**
Improvements Other Than Buildings	(7,860)	(814)	-	-	(8,674)	**(919)**	**-**	**474**	**(9,119)**
Infrastructure	(16,236)	(1,241)	-	(65)	(17,542)	**(1,420)**	**-**	**(18)**	**(18,980)**
Intangible Assets	(8,006)	(598)	-	-	(8,604)	**(493)**	**-**	**(309)**	**(9,406)**
Total Accumulated Depreciation/ Amortization	(655,333)	(49,538)	-	10,489	(694,382)	**(50,520)**	**-**	**14,472**	**(730,430)**
Total Capital Assets, Net	$ 890,466	$ 89,580	$ -	$ (1,807)	$ 978,239	**$ 95,952**	**$ -**	**$ (2,591)**	**$ 1,071,600**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 212,332	$ 116,538	$ (174,589)	$ (167)	$ 154,114	**$ 121,462**	**$ (109,945)**	**$ (471)**	**$ 165,160**
Capital Assets, Depreciable/ Amortizable	1,333,467	22,580	174,589	(12,129)	1,518,507	**25,010**	**109,945**	**(16,592)**	**1,636,870**
Total Cost of Capital Assets	1,545,799	139,118	-	(12,296)	1,672,621	**146,472**	**-**	**(17,063)**	**1,802,030**
Less Accumulated Depreciation/ Amortization	(655,333)	(49,538)	-	10,489	(694,382)	**(50,520)**	**-**	**14,472**	**(730,430)**
Total Capital Assets, Net	$ 890,466	$ 89,580	$ -	$ (1,807)	$ 978,239	**$ 95,952**	**$ -**	**$ (2,591)**	**$ 1,071,600**

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

	June 30, 2014	Additions	Reductions	June 30, 2015	Additions	Reductions	June 30, 2016
Deferred Outflows of Resources							
Deferred Gain/Loss on Refunding of Debt	$ 10,437	$ 1,606	$ (3,850)	$ 8,193	$ -	$ (8,193)	$ -
Pension Contributions Subsequent to the Measurement Date	-	15,946	-	15,946	19,078	(15,946)	19,078
Differences Between Pension Contributions and Proportionate Share of Contributions	-	730	-	730	2,904	(697)	2,937
Difference Between Expected and Actual Experience	-	-	-	-	7,594	(1,406)	6,188
Net Fair Value Loss on Foreign Currency Forward Contracts	19	4	(19)	4	-	(4)	-
Total Deferred Outflows of Resources	$ 10,456	$ 18,286	$ (3,869)	$ 24,873	$ 29,576	$ (26,246)	$ 28,203
Deferred Inflows of Resources							
Differences Between Pension Contributions and Proportionate Share of Contributions	$ -	$ -	$ -	$ -	$ 4,768	$ (883)	$ 3,885
Difference Between Projected and Actual Earnings on Pension Plan Investments*	-	78,792	-	78,792	18,999	(73,737)	24,054
Net Fair Value Gain on Foreign Currency Forward Contracts	-	-	-	-	4	-	4
Total Deferred Inflows of Resources	$ -	$ 78,792	$ -	$ 78,792	$ 23,771	$ (74,620)	$ 27,943

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2016	June 30, 2015
Services and Supplies	$ 45,219	$ 40,571
Payroll Related	20,434	18,959
Accrued Interest	7,845	6,927
Salaries and Wages	6,444	6,207
Contract Retainage	2,935	5,396
Total	$ 82,877	$ 78,060

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 $4,391,284 and $3,819,254 for the years ended June 30, 2016 and 2015, respectively. The original cost of assets leased was $25,982,971 and $19,149,763 for the years ended June 30, 2016 and 2015, respectively. Depreciation totaled $9,231,220 and $7,127,357 for the years ended June 30, 2016 and 2015, 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, 2016 were (in thousands):

For the year ending June 30,	
2017	$ 4,491
2018	4,182
2019	3,890
2020	2,860
2021	2,871
2022-2026	15,173
2027-2031	16,186
2032-2036	19,261
2037-2041	22,894
2042-2046	3,069
2047-2051	1,422
2052-2056	1,336
2057-2061	91
Total Minimum Operating Lease Revenues	$ 97,726

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $2,125,290 and $1,823,845 for the years ended June 30, 2016 and 2015, respectively. Future minimum operating lease payments at June 30, 2016 were (in thousands):

For the year ending June 30,		
2017	$	1,625
2018		1,216
2019		767
2020		492
2021		358
2022-2026		1,019
2027-2031		322
Total Minimum Operating Lease Payments	$	5,799

9. LONG-TERM LIABILITIES

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

	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

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

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

For the Year Ending June 30,	General Obligation Bonds XI-F(1)	XI-Q	COPs	SELP	Revenue Bonds	Total Payments	Principal	Interest
2017	$ 28,946	$ 242	$ 1,597	$ 1,363	$ 2,489	$ 34,637	$ 14,682	$ 19,955
2018	28,613	597	1,221	1,364	2,489	34,284	15,214	19,070
2019	28,521	598	493	1,281	2,490	33,383	15,543	17,840
2020	26,690	599	257	1,198	2,490	31,234	13,854	17,380
2021	26,006	687	159	1,198	2,489	30,539	14,169	16,370
2022-2026	123,941	3,124	317	5,991	12,446	145,819	76,021	69,798
2027-2031	110,064	587	-	5,991	12,446	129,088	78,478	50,610
2032-2036	83,827	-	-	672	12,446	96,945	64,468	32,477
2037-2041	47,008	-	-	-	12,446	59,454	39,324	20,130
2042-2046	13,973	-	-	-	59,978	73,951	64,186	9,765
Accreted Interest							4,610	(4,610)
							$ 400,549	$ 268,785
Total Future Debt Service	**517,589**	**6,434**	**4,044**	**19,058**	**122,209**	**669,334**		
Less: Interest Component of Future Payments	(190,176)	(1,631)	(338)	(5,546)	(71,094)	(268,785)		
Principal Portion of Future Payments	**327,413**	**4,803**	**3,706**	**13,512**	**51,115**	**400,549**		
Adjusted by: Net Unamortized Bond Premiums (Discounts)	-	-	-	-	5,843	5,843		
Total Long-Term Debt	**$ 327,413**	**$ 4,803**	**$ 3,706**	**$ 13,512**	**$56,958**	**$ 406,392**		

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, 2014, all state paid bonded debt recorded by OSU as a long-term liability was removed and is now recorded by the State as the owner of the debt. As of July 1, 2015, all unamortized premiums, discounts and net gains/losses on refunding of institution paid legacy debt were also removed from OSU's financial records. OSU retains only the debt for the principal amount of bonds due to the State. See Note 19 Change in Entity for additional information. OSU requests reimbursement for capital construction costs agreed to be paid for by state paid bonds from the Department of Administrative Services (DAS) on a monthly basis. Principal and interest amounts due relating to OSU's share of XI-F(1), XI-Q, COPs and SELP are payable to the State.

A. General Obligation Bonds XI-F(1)

OSU has entered into loan agreements with the State of Oregon for repayment of XI-F(1) bonds 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 0.63 percent to 7.0 percent, are due serially through 2044.

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.

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

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

B. General Obligation Bonds XI-G

As of July 1, 2014, $130,767,170 in XI-G bonded debt was removed from the long-term liabilities of OSU. The University retained no amount of XI-G bonded debt, as discussed previously in this note. The State no longer issues XI-G bonds which result in a liability for the university. XI-G bonds received by the University from the State are recorded as capital grants.

C. General Obligation Bonds XI-Q

OSU has entered into loan agreements with the State of Oregon for repayment of XI-Q bonds 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 3 percent to 5 percent, are due serially through 2027.

As of July 1, 2014, $6,516,058 in XI-Q bonded debt was removed from the long-term liabilities of OSU, as discussed previously in this note. The University retained $5,523,088 in liabilities associated with XI-Q legacy debt, prior to the 2015 debt service payment of $78,469. As of July 1, 2015, an additional $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 on behalf of OSU $260,000 Series 2016-F tax-exempt bonds for the refunding of COPs.

During the fiscal year ended June 30, 2015, the State did not issue any XI-Q debt which resulted in a liability for the university.

D. Certificates of Participation

OSU has entered into loan agreements with the State of Oregon for repayment of 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 3.0 percent to 5.0 percent, are due serially through 2025.

As of July 1, 2014, $10,882,066 in COPs debt was removed from the long-term liabilities of OSU, as discussed previously in this note. The University retained $7,145,359 in debt associated with COPs, prior to the 2015 debt service payment of $1,434,175. As of July 1, 2015, an additional $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. The State no longer issues COPs.

E. Lottery Bonds

As of July 1, 2014, $77,305,978 in Lottery bonded debt was removed from the long-term liabilities of OSU. The University retained no amount of Lottery bonded debt, as discussed previously in this note. The State no longer issues Lottery bonds which result in a liability for the university. Lottery bonds received by the University from the State are recorded as capital grants.

F. Oregon Department of Energy Loans

OSU has entered into loan agreements with the Oregon Department of Energy (DOE) Small-Scale Energy Loan Program (SELP) for energy conservation projects. OSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 5.46 percent, are due through 2032.

G. Revenue Bonds

General Revenue bonds, with effective yields ranging from 4.15 percent to 4.36 percent, with bullet maturities, are due in fiscal years 2044 and 2045.

OSU did not issue any revenue bonds during the fiscal year ended June 30, 2016.

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

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

H. Defeased Debt

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

During the year ended June 30, 2016, the State issued on behalf of OSU $260,000 in XI-Q bonds to refund $303,000 in COPs.

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $43,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 8 years by $70,618 and resulted in an economic gain of $56,933.

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

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $1,605,953. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $1,938,300 and resulted in an economic gain of $1,529,174.

The total amount of defeased debt outstanding but removed from the financial statements as of June 30, 2016 and 2015, totaled $37,348,947 and $79,244,902, respectively.

I. 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 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 $2,193,806 and $2,257,653 for June 30, 2016 and 2015, respectively. Principal payments of $1,116,539 and $1,301,107 were applied to OSU's liability for June 30, 2016 and 2015, respectively. A prior period adjustment of $(172,378) was applied to OSU's SLGRP liability by the State as of June 30, 2015.

J. Employee Deferred Compensation

OSU has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the university 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code (IRC) Section 415. The University's unfunded employee deferred compensation liability was reduced to zero as of June 30, 2015.

K. Employee Termination

OSU has severance agreements with three former employees relating to early termination of their employment contracts. The future payout of this liability extends through fiscal year 2017. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.57 percent.

10. UNRESTRICTED NET POSITION

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

	June 30, 2016	June 30, 2015
University Operations	$ 157,373	$ 150,453
Net Pension Asset/(Liability)	(114,748)	40,834
Pension Related Deferred Outflows (See Note 6)	28,203	16,676
Pension Related Deferred Inflows (See Note 6)	(27,939)	(78,792)
Compensated Absences Liability (See Note 9)	(29,804)	(28,674)
State and Local Government Rate Pool Liability (See Note 9)	(31,215)	(32,332)
Other Post-Employment Benefits (See Notes 9 and 16)	(6,701)	(7,537)
Total Unrestricted Net Position	$ (24,831)	$ 60,628

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, 2016	June 30, 2015
Total Operating Revenues	$ 720,300	$ 686,612
(Less):		
Student Building Fees	(3,355)	(3,367)
Student Incidental Fees	(25,334)	(23,682)
Federal Grants and Contracts	(176,078)	(171,063)
State and Local Grants and Contracts	(9,033)	(9,492)
Nongovernmental Grants and Contracts	(22,102)	(22,303)
Amounts Required to be Deposited or Paid for University-Paid State Bonds	(36,186)	(50,425)
Plus:		
Adjusted Beginning Unrestricted Net Position	55,413	25,735
General Revenues Pledged to Repay Revenue Bonds	$ 503,625	$ 432,015

12. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2016	June 30, 2015
Royalties and Technology Transfer Income	$ 6,536	$ 11,492
Investment Earnings	3,751	3,138
Endowment Income	1,760	1,239
Interest Income	293	316
Net Appreciation (Depreciation) of Investments	(332)	(971)
Gain (Loss) on Sale of Assets	(83)	-
Other	-	(338)
Total Investment Activity	$ 11,925	$ 14,876

13. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. Beginning with the fiscal year ended June 30, 2015, the reporting of a net pension asset, and then a net pension liability for fiscal year ended June 30, 2016, significantly affected the reported compensation and benefit expenses of OSU. For the fiscal year ended June 30, 2016, changes in the pension expense and associated reporting requirements increased the reported compensation and benefit expenses of OSU by $93,199,761. For the fiscal year ended June 30, 2015, change in the net pension asset and associated reporting requirement decreased reported compensation and benefit expenses by $53,270,901. The following displays operating expenses by both the functional and natural classifications (in thousands):

June 30, 2016	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	$ 269,787	$ 27,792	$ 366	$ 19	$ 6	**$ 297,970**
Research	148,716	57,681	2,551	-	1,033	**209,981**
Public Services	80,306	23,309	565	40	164	**104,384**
Academic Support	62,818	19,036	-	-	-	**81,854**
Student Services	26,912	5,425	6	-	2	**32,345**
Auxiliary Services	79,532	64,437	4,511	13,345	-	**161,825**
Institutional Support	60,551	21,445	5	-	-	**82,001**
Operation & Maint. of Plant	15,396	18,764	-	109	-	**34,269**
Student Aid	-	1,561	32,157	-	546	**34,264**
Other	14,704	2,537	-	37,007	-	**54,248**
Total	**$ 758,722**	**$ 241,987**	**$ 40,161**	**$ 50,520**	**$ 1,751**	**$ 1,093,141**

June 30, 2015	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 212,101	$ 27,170	$ 393	$ 8	$ 6	$ 239,678
Research	121,915	55,637	2,428	-	1,001	180,981
Public Services	59,530	21,371	558	52	155	81,666
Academic Support	44,851	15,681	-	-	-	60,532
Student Services	19,885	6,813	6	350	3	27,057
Auxiliary Services	61,229	66,691	3,839	12,454	-	144,213
Institutional Support	43,450	21,759	1	-	-	65,210
Operation & Maint. of Plant	11,661	18,618	-	132	-	30,411
Student Aid	12	632	32,220	-	586	33,450
Other	9,791	9,931	-	36,542	-	56,264
Total	$ 584,425	$ 244,303	$ 39,445	$ 49,538	$ 1,751	$ 919,462

14. GOVERNMENT APPROPRIATIONS

OSU receives support from the State of Oregon 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, 2016	June 30, 2015
General Fund - Education & General	**$ 112,373**	$ 99,925
General Fund - Statewide Public Services	**58,082**	51,689
General Fund - Debt Service	**1,084**	1,100
Lottery Funding	**515**	500
Harvest Tax	**3,130**	3,676
Total State	**$ 175,184**	$ 156,890
Federal Appropriations	**9,511**	10,878
County Appropriations	**10,005**	8,502
Total Appropriations	**$ 194,700**	$ 176,270

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 Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

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 IN PLAN PROVISIONS

Since the December 31, 2013 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 the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the *Moro* decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which was effective January 1, 2016.

PENSION PLAN LIABILITY

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

	June 30, 2015
Total Pension Liability	$ 70,665
Plan Fiduciary Net Position	64,924
Plan Net Pension Liability	$ 5,741

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 due to an other than a duty-connected cause may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes After Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the *Moro* decision, the cap on the COLA will be restored to 2.0 percent for fiscal years 2016 and beyond. See Changes in Plan Provisions for more information on the decision.

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 COLAs in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP 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. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Post-Employment Benefit Plans.

Employer contribution rates for the fiscal year ended June 30, 2016 were based on the December 31, 2013 actuarial valuation as subsequently modified by the *Moro* decision. The rates first became effective July 1, 2015. Employer contribution rates for the fiscal year ended June 30, 2015 were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates were effective July 1, 2013 through June 30, 2015. The employer contribution rates for PERS and OPSRP are as follows:

	2016	2015
PERS Tier One/Two	**13.28%**	9.86%
OPSRP	**7.31%**	8.14%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2016 and 2015, were $22,388,658 and $19,504,260, 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 13.2 percent, which changed to 13.9 percent effective October 1, 2015. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate.

NET PENSION (ASSET) LIABILITY

At June 30, 2016, the University reported a liability of $114,747,477 for its proportionate share of the PERS net pension liability. At June 30, 2015, the University reported a net pension asset of $40,833,598 for its proportionate share of the PERS net pension asset. The net pension 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 net pension asset as of June 30, 2015 was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. The PERS system does not provide OSU an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services (DAS) calculated OSU's proportionate share of all state agencies internally based on fiscal year 2015 actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2016, OSU's proportion was 2.0 percent of the statewide pension plan and 7.85 percent of employer state agencies. At June 30, 2015, OSU's proportionate share was 1.80 percent of the statewide pension plan, and 7.59 percent of employer state agencies.

For the year ended June 30, 2016, OSU recorded total net pension expense of $112,278,073 due to the increase in net pension liability and changes to deferred inflows and deferred outflows. For the year ended June 30, 2015, OSU recorded a negative total net pension expense of $37,325,401 due to the implementation of GASB Statement Nos. 68 and 71.

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 will be recognized as a reduction of the net pension liability in the year ended 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:	
2017	(10,256)
2018	(10,256)
2019	(10,256)
2020	11,532
2021	422
	$ (18,814)

DEFERRED ITEMS

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

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is recognized in OSU's total pension expense for the fiscal year 2016.
- A net difference between projected and actual earnings which is being amortized over a closed five-year period. One year of this amortization is being recognized in OSU's total pension expense for fiscal year 2016.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is recognized in OSU's total pension expense for the fiscal year 2016.
- A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in OSU's total pension expense for fiscal year 2016.

Actuarial Methods and Assumptions

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

Actuarial Methods:	
Valuation Date Net Pension Liability as of 6/30/2016	December 31, 2013
Valuation Date Net Pension Asset as of 6/30/2015	December 31, 2012
Measurement Date Net Pension Liability as of 6/30/2016	June 30, 2015
Measurement Date Net Pension Asset as of 6/30/2015	June 30, 2014
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	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 AA, with collar adjustments and set-backs as described in the valuation. *Active members:* Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. *Disabled retirees:* Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

DISCOUNT RATE

The discount rate used to measure the total pension asset/liability was 7.75 percent. 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 (asset)/liability calculated using the discount rate of 7.75 percent, as well as what the university's proportionate share of the net pension (asset)/liability 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, 2016**	June 30, 2015
1 % Decrease 6.75%	**$276,939**	$86,471
Current Discount Rate 7.75%	**114,748**	(40,834)
1 % Increase 8.75%	**(21,937)**	(148,503)

As discussed above, the discount rate for fiscal year ended June 30, 2017 is expected to be decreased to 7.5 percent.

DEPLETION DATE PROJECTION

GASB Statement No. 68 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 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	16.00	24.00	20.00
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	10.00	10.00
Opportunity Portfolio	0.00	3.00	0.00
Total			100 %

LONG-TERM EXPECTED RATE OF RETURN

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. 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 on the following page 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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

BOND DEBT

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

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

The payroll assessment for the pension obligation bond began May 2004. The assessment rate for fiscal year 2016 was 6.7 percent through October 31, 2015. The 2016 rate was reduced to 6.0 percent effective November 1, 2015. The assessment rate for fiscal year 2015 was 6.7 percent. Payroll assessments paid by OSU for the fiscal years ended June 30, 2016 and 2015, were $13,976,968 and $14,517,234, 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:

	2016	2015
Tier One/Two	**20.45%**	16.50%
Tier Three	**7.94%**	6.42%
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. 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

OSU Extension Service employees that hold federal appointments can also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1 percent.

Employees may also contribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case the employer contributes at a variable rate up to 5 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

OSU participates in an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the OSU university president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2016, the plan was fully funded.

SUMMARY OF OTHER PENSION PAYMENTS

OSU's total payroll for the year ended June 30, 2016 was $453,540,927, of which $136,990,048 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.

OSU's total payroll for the year ended June 30, 2015 was $432,964,198, of which $116,279,182 was subject to defined contribution retirement plan contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

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

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

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

The PEBB plan allows 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 claims 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 9.84 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 2016.

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 2016 and 2015, OSU paid healthcare insurance premiums of $80,344,964 and $77,160,992, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $478,282 and $603,734 for the fiscal years ended 2016 and 2015, 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). As of June 30, 2015, the UAAL amortization was a level percentage of payroll over a period of 15 years. The amortization period is "open" which means that on each valuation date, the amortization amount is recalculated assuming 15 years' worth of future payments. Starting with the July 1, 2015 UAAL, the 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, 2016	June 30, 2015
Annual Required Contribution	**$ 7,874**	$ 1,318
Interest on Net OPEB Obligation	**288**	273
Adjustment to Annual Required Contribution	**(8,520)**	(520)
Annual OPEB Cost	**(358)**	1,071
Contributions Made	**(478)**	(604)
Change in Net OPEB Obligation	**(836)**	467
Net OPEB Obligation - Beginning of Year	**7,537**	7,070
Net OPEB Obligation - End of Year	**$ 6,701**	$ 7,537

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, 2016, 2015 and 2014 were as follows (in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	**$ (358)**	**-5%**	**$ 6,701**
2015	1,071	14%	7,537
2014	825	12%	7,070

Funding Status and Funding Progress

The funded status of the OSU OPEB plan for June 30, 2016 and 2015, were as follows (in thousands):

	June 30, 2016	June 30, 2015
Actuarial Accrued Liabilities	$ 7,229	$ 10,390
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	$ 7,229	$ 10,390
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	$ 350,225	$ 332,632
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	2.06%	3.12%

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, 2016 and 2015, were as follows:

	June 30, 2016	June 30, 2015
Actuarial Valuation Date	**7/1/2015**	7/1/2013
Actuarial Cost Method	**Entry Age Normal**	Entry Age Normal
Amortization Method	**Level Dollar**	Level Percentage
Amortization Period	**1 year (open)**	15 Years (open)
Investment Rate of Return	**3.5%**	3.5%
Initial Healthcare Inflation Rates	**5.1% (medical), 2.3% (dental)**	3.6% (medical), 2.2% (dental)
Ultimate Healthcare Inflation Rates	**5.0% (medical), 5.0% (dental)**	5.4% (medical), 5.0% (dental)

17. RISK FINANCING

OSU is a member of the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the member universities (Member). The Trust is governed by a Board of Trustees comprised of a representative of each Member. The Trustees administer an insurance program wherein the Members share risk by pooling their losses and claims and jointly purchase insurance and administrative services through the Trust. In exchange Members pay annual assessments and provide the Trustees with information or assistance as necessary for the Trustees to determine annual assessments and to purchase insurance or reinsurance. By participating, OSU transfers the following risks to the Trust:

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

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

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

OSU is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims. The amount of settlements has not exceeded insurance coverage since the Trust was established in June of 2014.

In addition, the university purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association (NCAA), and to provide coverage for special events and student liability.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed, and planned but not initiated construction projects totaled approximately $197,616,983 at June 30, 2016. 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, 2016.

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. Prior to July 1, 2014, OSU was a part of the OUS, an agency of the State. As a state agency some assets were held centrally by the OUS. These assets were distributed to the seven universities, including OSU, on or before the June 30, 2015 closing of the OUS. The change in entity also changed the allocation of bond debt held in the name of the State. The Oregon Department of Administrative Services, State Treasury, and Department of Justice all concluded that a portion of the debt previously allocated to the OUS and the seven universities as state agencies was the responsibility of the State to repay. OSU still has responsibility to repay XI-F(1) and SELP debt and the portions of XI-Q and COPs debt identified as institution paid debt. See Note 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**

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

20. SUBSEQUENT EVENTS

REVENUE BOND ISSUANCE

On August 25, 2016, OSU issued $47,260,000 par value of taxable and tax-exempt General Revenue bonds as follows:

- $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

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, 2016 and 2015.

During the years ended June 30, 2016 and 2015, gifts of $63,186,500 and $81,359,313, respectively, were transferred from the university foundations to OSU. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

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

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

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

Component Units
Combining Financial 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 (Loss), 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 (Decrease) 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 (Decrease) 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 (Decrease) In Total Net Assets	**3,780**	**625**	**4,405**
Ending Balance, Total Net Assets	**$ 633,507**	**$ 14,328**	**$ 647,835**

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 5,764	$ 1,086	$ 6,850
Investments	537,390	20,962	558,352
Contributions, Pledges and Grants Receivable, Net	42,769	2,303	45,072
Assets Held-For-Sale	5,428	-	5,428
Assets Held Under Split-Interest Agreements	54,462	-	54,462
Charitable Trusts Held Outside the Foundation	14,839	-	14,839
Prepaid Expenses and Other Assets	2,064	317	2,381
Property and Equipment, Net	4,716	14	4,730
Total Assets	**$ 667,432**	**$ 24,682**	**$ 692,114**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,100	$ 127	$ 9,227
Accounts Payable to the University	3,183	3,642	6,825
Obligations to Beneficiaries of Split-Interest Agreements	25,422	-	25,422
Deposits and Unearned Revenue	-	7,210	7,210
Total Liabilities	**37,705**	**10,979**	**48,684**
NET ASSETS			
Unrestricted	1,086	3,350	4,436
Temporarily Restricted	255,424	9,378	264,802
Permanently Restricted	373,217	975	374,192
Total Net Assets	**629,727**	**13,703**	**643,430**
TOTAL LIABILITIES AND NET ASSETS	**$ 667,432**	**$ 24,682**	**$ 692,114**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 481	$ 4,996	$ 5,477
Interest and Dividends	3,121	-	3,121
Investment Income (Loss), Net	(9,713)	559	(9,154)
Net Assets Released From Restrictions and Other Transfers	90,930	2,800	93,730
Other Revenues	14,785	-	14,785
Total Revenues	**99,604**	**8,355**	**107,959**
EXPENSES			
University Support	81,934	8,228	90,162
Management, General and Development Expenses	20,885	388	21,273
Investment Expense	9,018	-	9,018
Total Expenses	**111,837**	**8,616**	**120,453**
Increase (Decrease) In Unrestricted Net Assets	**(12,233)**	**(261)**	**(12,494)**
Beginning Balance, Unrestricted Net Assets	13,319	3,611	16,930
Ending Balance, Unrestricted Net Assets	**$ 1,086**	**$ 3,350**	**$ 4,436**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 59,594	$ 4,019	$ 63,613
Interest and Dividends	11,390	36	11,426
Investment Income (Loss), Net	(4,911)	-	(4,911)
Change in Value of Life Income Agreements	(308)	-	(308)
Other Revenues	8,423	-	8,423
Net Assets Released From Restrictions and Other Transfers	(93,824)	(2,800)	(96,624)
Increase (Decrease) In Temporarily Restricted Net Assets	**(19,636)**	**1,255**	**(18,381)**
Beginning Balance, Temporarily Restricted Net Assets	275,060	8,123	283,183
Ending Balance, Temporarily Restricted Net Assets	**$ 255,424**	**$ 9,378**	**$ 264,802**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 18,848	$ -	$ 18,848
Interest and Dividends	159	-	159
Investment Income (Loss), Net	(534)	4	(530)
Change in Value of Life Income Agreements	(673)	-	(673)
Other Revenues	46	-	46
Net Assets Released From Restrictions and Other Transfers	2,894	-	2,894
Increase (Decrease) In Permanently Restricted Net Assets	**20,740**	**4**	**20,744**
Beginning Balance, Permanently Restricted Net Assets	352,477	971	353,448
Ending Balance, Permanently Restricted Net Assets	**$ 373,217**	**$ 975**	**$ 374,192**
Beginning Balance	$ 640,856	$ 12,705	$ 653,561
Increase (Decrease) In Total Net Assets	**(11,129)**	**998**	**(10,131)**
Ending Balance	**$ 629,727**	**$ 13,703**	**$ 643,430**

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON STATE UNIVERSITY CONTRIBUTIONS*
Public Employees Retirement System

For Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 19,078	$ 15,945	$ 15,100	$ 13,760	$ 12,666
Contributions in Relation to the Contractually Required Contribution	19,078	15,945	15,100	13,760	12,666
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 229,248	$ 219,796	$ 202,992	$ 190,712	$ 177,807
Contributions as a Percentage of Covered Payroll	8.3%	7.3%	7.4%	7.2%	7.1%

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

	June 30, 2016	June 30, 2015
University's Allocation of the Net Pension Asset/(Liability)	2.00%	1.80%
University's Proportionate Share of the Net Pension Asset/(Liability)	$ (114,748)	$ 40,834
University's Covered Payroll	$ 229,248	$ 219,796
University's Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of Covered Payroll	50.05%	18.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/(Liability)	91.88%	103.59%

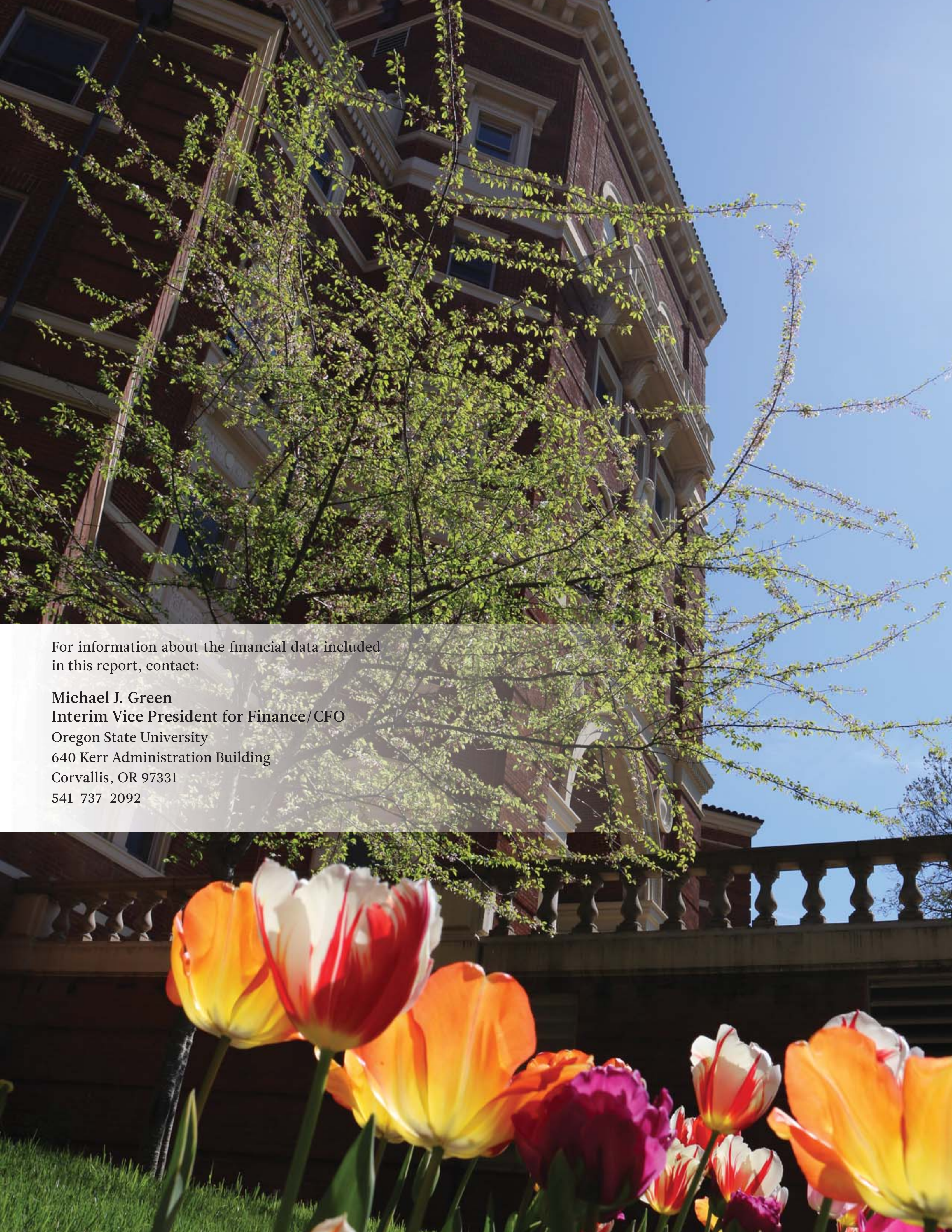
*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

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)
6/30/2012	7/1/2011	$ -	$ 14,397	$ 14,397	0.0%	$ 265,095	5.4%
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

[This page intentionally left blank]



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

Michael J. Green
Interim Vice President for Finance/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