

# 2015 ANNUAL FINANCIAL REPORT



HISTORY studies elementary education INTEGRATIVE  
rangeland science THEATRE agriculture ART anthropology COMMUN  
science sciences ART sociology COMMUN  
ECONOMICS elementary education ENGLISH fire service PREPR  
administration PREPR  
CHEMISTRY BIOCHEMISTRY computer MUS  
MATHEMATICS politics & economics PHYSICAL  
resources MATHEMATICS economics PHYSICAL  
PSYCHOLOGY rangeland science THEATRE agriculture ART anth  
science sciences ART soc  
business administration EASTERN OREGON UNIVERSITY  
EMERGENCY MEDICAL SERVICES computer science



## TABLE OF CONTENTS

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<b>State Board of Higher Education and EOU Executive Officers</b>	<b>1</b>
<b>Message from the President</b>	<b>2</b>
<b>Independent Auditors' Report</b>	<b>6</b>
<b>Statement of Net Position (university)</b>	<b>10</b>
<b>Statement of Financial Position (component unit)</b>	<b>11</b>
<b>Statement of Revenues, Expenses and Changes in Net Position (university)</b>	<b>12</b>
<b>Statement of Activities (component unit)</b>	<b>13</b>
<b>Statement of Cash Flows (university)</b>	<b>14</b>
<b>Notes to the Financial Statements</b>	<b>16</b>
<b>Required Supplementary Information</b>	<b>37</b>





## STATE BOARD OF HIGHER EDUCATION 2014-15

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<b>David Yaden</b> Chair	Lake Oswego
<b>James Baumgartner</b>	Portland
<b>James L. Francesconi</b>	Portland
<b>Lisa J. Graham</b>	Bend
<b>Brittany Kenison</b>	Salem
<b>James E. Middleton</b>	Bend
<b>Kelly Minty Morris</b>	Klamath Falls
<b>David H. Nelson</b>	Pendleton
<b>Emily J. Plec</b>	Monmouth
<b>William Thorndike</b>	Medford
<b>Shea Washington</b>	Portland

## EASTERN OREGON UNIVERSITY 2015-present

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<b>Tom Insko</b> President
<b>Sarah Witte</b> Interim Provost
<b>Donald Wolff</b> Interim Vice Provost
<b>Lara Moore</b> Vice President for Finance and Administration
<b>Tim Seydel</b> Vice President for University Advancement Executive Director of the EOU Foundation
<b>Xavier Romano</b> Vice President for Student Services
<b>Chris Burford</b> University General Counsel/Board Secretary

## MESSAGE FROM THE PRESIDENT



Greetings,

This report marks a turning point for Eastern Oregon University: as a document, it provides proof of improving fiscal health and progress toward our sustainability goals, and it also represents the first time that we, as an institution, have presented this information independently. After 86 years as part of the Oregon University System, our own board of trustees now governs us and new paths lie ahead.

EOU is vibrant and successful with opportunities to grow thanks to the concerted efforts of our faculty, staff, friends and supporters who share our mission and core values. Our students exemplify the ideals of an “Eastern education” in their achievements in arts and letters, science, math and technology, social sciences and modern languages, business and education – athletics, too – while our professors are creating new possibilities through research and engagement in the classroom.

Recent changes in our state structures and budget models are prompting us to review our work and seek more opportunities for enhancement, growth and innovation in

programs. We have shifted resources to focus on recruitment and retention, invested strategically and made difficult decisions as an institution over the past year. Looking forward, we are working to strengthen the university’s position for success in an increasingly competitive environment.

We will continue to build on EOU’s strong base of commitment to our students, our region and our state.

Together, it’s possible!

Thomas A. Insko  
President



A \$13-million capital construction project completed in 2014 transformed EOU's Quinn Coliseum (built in 1957) to include a striking two-story glass entry, new roof, a regulation-size practice gym and upgraded utility systems resulting in LEED Gold certification

## EASTERN OREGON UNIVERSITY BOARD OF TRUSTEES

**David H. Nelson, Chair**

*Attorney and Former State Senator*

**Roberta Conner, Vice Chair**

*Director, Tamástslíkt Cultural Institute*

**Ray Brown**

*Assistant Professor of Education and Secondary Education Program Coordinator at EOU*

**Richard Chaves**

*President and Founder, Chaves Consulting, Inc. (CCI)*

**Patricia Hinton**

*Print Services Technician, IT*

**Tom Insko**

*Ex-Officio Member  
EOU President*

**Holly Kerfoot**

*Business Owner*

**Dixie Lund**

*Retired Interim EOU President*

**Cheryl Martin**

*Rancher/Owner VP Ranch*

**Abel Mendoza**

*Retired EOU Assistant Professor of Chemistry;  
Retired Dow Chemical Researcher*

**George Mendoza**

*Assistant Superintendent/Director of Special Education,  
Morrow County School District*

**Elsie Praeger-Goller**

*Student*

**Jerry (Jer) D. Pratton**

*Retired Hermiston School District Superintendent*

## 2014-15 TOP TWELVE UNIVERSITY ACCOMPLISHMENTS

> Tom Insko, an eastern Oregon native and EOU graduate, is selected as the university's 12th president beginning July 1. His previous and ongoing involvement includes serving two terms as president of the EOU Foundation and several years as a Foundation trustee.



> EOU holds the No. 1 rank as Best in State Online College for 2015 on the latest list compiled and published by Affordable Colleges Online. EOU offers more than a dozen online majors and minors in a variety of fields, including a new undergraduate degree in emergency medical services administration and online master of business administration cohort beginning this fall.

> Two students received scholarships from the Oregon NASA Space Grant Consortium. One is conducting biosensor research on campus and the other is interning as a member of the gravitational microlensing team at the Goddard Space Flight Center in Greenbelt, Md.

> New Eastern Advantage program is unveiled, promising students on time



Top: Nyki Anderson is interning at NASA's Goddard Space Flight Center, where she had the opportunity to meet astronaut Mike Hopkins. She is the recipient of two highly competitive scholarships: The John Mather Nobel Scholars award and a 4-year Institution Scholarship from the Oregon NASA Space Grant Consortium. Bottom: Tarita Keohokalole-Look prepares a polymerase chain reaction sample for DNA amplification. A scholarship from the Oregon NASA Space Grant Consortium funded her research with Professor Anna Cavinato.

graduation, fixed tuition rates, priority financial planning, career services support and more. First-time freshmen from Oregon, Idaho or Washington attending EOU's main campus are eligible to participate.

> Chemistry student Jeremy Bard is one of 29 students nationwide selected as a SCI Scholar and placed in the prestigious paid industrial internship program funded by the Society of Chemical Industry.



Society of Chemical Industry (SCI) Scholar Jeremy Bard is spending his summer at Chemtura Corporation in Connecticut as a paid intern assisting with testing kinetics of petroleum product additives.

> Student research publication, the Eastern Oregon Science Journal, garners national ranking from the American Scholastic Press Association as the most outstanding college science magazine among colleges and universities with enrollment of 2,501 or more students. It also received a first place with special merit award for superior design and content.

> Nancy Knowles, professor of English/writing, receives a Phi Kappa Phi Literacy Grant to support "Write Now" youth programs provided by the Oregon Writing Project at EOU. Hosted



The EO Science Journal holds distinction as the first student-published, undergraduate scientific research journal in Oregon.



Nancy Knowles, professor of English and writing, is one of 14 recipients nationwide to receive a Phi Kappa Phi Literacy Grant in 2014.

throughout rural central and eastern Oregon, these programs encourage children’s self-esteem, provide incentives to stay connected with academics, and build healthy relationships between youth and adults.

> Vocal student Shahayla Ononaiye wins first place in her division at the local and regional levels of the National Association of Teachers of Singing festival and competition.

> Mountaineer athletics adds a new men’s soccer program beginning fall 2015. The team will compete in the National Association of Intercollegiate Athletics (NAIA) and the Cascade Collegiate Conference (CCC).



Shahayla Ononaiye is studying voice, percussion and business. When she first came to EOU she was singing soul and rock and then got involved with musical theater, which led her to participate in the festival.



Guest presenter and University of Washington Professor Geneva Gay leads a workshop for Oregon Teacher Pathway (OTP) participants at EOU. OTP is one of two new grant-funded programs launched by the College of Education.

> College of Education launches the Center for Culturally Responsive Practices and the Oregon Teacher Pathway, two grant-funded programs to increase the number of minority teachers in Oregon and boost interest in science, technology, engineering and math (STEM).

> Justin Hocking, MFA faculty and co-founder of the wilderness writing track, wins the Oregon Book Award for Creative Nonfiction and receives an Oregon Literary Fellowship Grant.

> Alumna receives the Woodrow Wilson Dissertation Fellowship in Women’s Studies, supporting her work as a Ph.D. candidate in history at Binghamton University (SUNY) in New York.



Faculty member Justin Hocking’s memoir “The Great Floodgates of the Wonderland” receives the 2015 Oregon Book Award for Creative Nonfiction.



## INDEPENDENT AUDITORS' REPORT

Members of the Board

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Eastern Oregon University (the University), an institution of higher education of the Oregon University System (the System), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matters**

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2015, the changes in its financial position, or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

## **Other Matters**

### *Required Supplementary Information*

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

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

*Other Information*

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

**Other Reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
December 10, 2015



Introducing EOU's new Monty Mountaineer!

Our mascot has a new look and his debut Week of Welcome this fall was a huge hit! He now sports a beard, bigger muscles upping the intimidation factor and different shirts to wear depending on the occasion. Admissions is using #wanderingmonty to connect with high schools around the region and world. Follow Monty Mountaineer on Instagram to see where he's going next!

**STATEMENT OF NET POSITION**  
**EASTERN OREGON UNIVERSITY**

<b>As of June 30,</b>	<b>2015</b>
	(In thousands)
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents (Note 2)	\$ 3,318
Collateral from Securities Lending (Note 2)	762
Accounts Receivable, Net (Note 3)	5,010
Notes Receivable, Net (Note 4)	286
Inventories	193
Prepaid Expenses	122
<b>Total Current Assets</b>	<b>9,691</b>
<b>Noncurrent Assets</b>	
Cash and Cash Equivalents (Note 2)	4,598
Investments (Note 2)	10,515
Notes Receivable, Net (Note 4)	1,073
Net Pension Asset	2,475
Capital Assets, Net of Accumulated Depreciation (Note 5)	76,608
<b>Total Noncurrent Assets</b>	<b>95,269</b>
<b>Total Assets</b>	<b>\$ 104,960</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,835</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities (Note 6)	\$ 2,704
Deposits	1,359
Obligations Under Securities Lending (Note 2)	762
Current Portion of Long-Term Liabilities (Note 8)	4,971
Unearned Revenues	1,835
<b>Total Current Liabilities</b>	<b>11,631</b>
<b>Noncurrent Liabilities</b>	
Long-Term Liabilities (Note 8)	74,917
<b>Total Noncurrent Liabilities</b>	<b>74,917</b>
<b>Total Liabilities</b>	<b>\$ 86,548</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 4,775</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,141
Restricted For:	
Nonexpendable Endowments	554
Expendable:	
Gifts, Grants and Contracts	1,166
Student Loans	1,877
Capital Projects	573
Debt Service	1,597
Unrestricted	5,564
<b>Total Net Position</b>	<b>\$ 16,472</b>

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

**STATEMENT OF FINANCIAL POSITION**  
**EASTERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT**

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<b>As of December 31,</b>	<b>2014</b>
	(In thousands)
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,749
Contributions, Pledges and Grants Receivable, Net	164
Investments (Note 2)	9,147
Prepaid Expenses and Other Assets	489
Property and Equipment, Net	1,095
<b>Total Assets</b>	<b>\$ 12,644</b>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	\$ 5
<b>Total Liabilities</b>	<b>\$ 5</b>
<b>NET ASSETS</b>	
Unrestricted	\$ 1,120
Temporarily Restricted	4,700
Permanently Restricted	6,819
<b>Total Net Assets</b>	<b>\$ 12,639</b>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**EASTERN OREGON UNIVERSITY**

For the Year Ended June 30,	2015
	(In thousands)
<b>OPERATING REVENUES</b>	
Student Tuition and Fees (Net of Allowances of \$4,480)	\$ 15,545
Federal Grants and Contracts	1,721
State and Local Grants and Contracts	2,746
Nongovernmental Grants and Contracts	136
Educational Department Sales and Services	283
Auxiliary Enterprises Revenues (Net of Allowances of \$483)	5,561
Other Operating Revenues	52
<b>Total Operating Revenues</b>	<b>26,044</b>
<b>OPERATING EXPENSES</b>	
Instruction	12,250
Research	251
Public Service	1,713
Academic Support	7,200
Student Services	2,320
Auxiliary Programs	7,205
Institutional Support	5,869
Operation and Maintenance of Plant	3,233
Student Aid	4,368
Other Operating Expenses	4,701
<b>Total Operating Expenses (Note 11)</b>	<b>49,110</b>
<b>Operating Loss</b>	<b>(23,066)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Government Appropriations (Note 12)	16,792
Financial Aid Grants	7,415
Investment Activity (Note 10)	225
Gain (Loss) on Sale of Assets, Net	(26)
Interest Expense	(3,152)
Other Nonoperating Items	423
<b>Net Nonoperating Revenues</b>	<b>21,677</b>
<b>Income (Loss) Before Other Nonoperating Revenues</b>	<b>(1,389)</b>
Capital and Debt Service Appropriations (Note 12)	3,370
Capital Grants and Gifts	36
Transfers within OUS	53
<b>Total Other Nonoperating Revenues</b>	<b>3,459</b>
<b>Increase In Net Position Prior to Special/Extraordinary Items</b>	<b>2,070</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>	
Special Item - Change Due to Reorganization (Note 9)	5,085
<b>Increase In Net Position After Special/Extraordinary Items</b>	<b>7,155</b>
<b>NET POSITION</b>	
Beginning Balance	13,835
Change in Accounting Principle (Note 1, Section S)	(4,518)
Beginning Balance, Restated	9,317
<b>Ending Balance</b>	<b>\$ 16,472</b>

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

**STATEMENT OF ACTIVITIES**  
**EASTERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT**

For the Year Ended December 31,	2014
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(In thousands)
<b>REVENUES</b>	
Grants, Bequests and Gifts	\$ 141
Investment Income (Loss), Net	(8)
Net Assets Released From Restrictions	410
Donor Requested Transfers	(7)
Other Revenues	144
<b>Total Revenues</b>	<b>680</b>
<b>EXPENSES</b>	
University Support	470
General and Administrative	101
Development Expenses	134
<b>Total Expenses</b>	<b>705</b>
<b>Increase (Decrease) In Unrestricted Net Assets</b>	<b>(25)</b>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	
<b>REVENUES</b>	
Grants, Bequests and Gifts	117
Investment Income, Net	197
Donor Requested Transfers	(2)
Other Revenues	71
Net Assets Released from Restrictions	(410)
<b>Increase (Decrease) In Temporarily Restricted Net Assets</b>	<b>(27)</b>
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	
<b>REVENUES</b>	
Grants, Bequests and Gifts	220
Investment Income, Net	22
Donor Requested Transfers	9
<b>Increase (Decrease) In Permanently Restricted Net Assets</b>	<b>251</b>
<b>Increase (Decrease) In Total Net Assets</b>	<b>199</b>
Beginning Balance	12,440
<b>Ending Balance</b>	<b>\$ 12,639</b>

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

**STATEMENT OF CASH FLOWS**  
**EASTERN OREGON UNIVERSITY**

<b>For the Year Ended June 30,</b>	<b>2015</b>
	(In thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 15,032
Grants and Contracts	2,877
Educational Department Sales and Services	283
Auxiliary Enterprises Operations	5,657
Payments to Employees for Compensation and Benefits	(31,322)
Payments to Suppliers	(11,453)
Student Financial Aid	(4,864)
Other Operating Receipts	1,837
<b>Net Cash Used by Operating Activities</b>	<b>(21,953)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Government Appropriations	16,792
Financial Aid Grants	7,415
Other Gifts and Private Contracts	423
Net Internal Agency Fund Receipts (Payments)	972
Net Transfers Within OUS	53
Cash Transfers Due to Reorganization	4,466
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>30,121</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Debt Service Appropriations	2,561
Capital Grants and Gifts	33
Bond Proceeds from Capital Debt	9,153
Sales of Capital Assets	40
Purchases of Capital Assets	(1,492)
Interest Payments on Capital Debt	(3,159)
Principal Payments on Capital Debt	(8,186)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(1,050)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Sales (Purchases) of Investments	(6,509)
Income on Investments and Cash Balances	165
<b>Net Cash Used by Investing Activities</b>	<b>(6,344)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>774</b>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning Balance	7,142
<b>Ending Balance</b>	<b>\$ 7,916</b>

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

<b>For the Year Ended June 30,</b>	<b>2015</b>
	(In thousands)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (23,066)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,945
Changes in Assets and Liabilities:	
Accounts Receivable	(587)
Notes Receivable	28
Inventories	378
Prepaid Expenses	(116)
Accounts Payable and Accrued Liabilities	572
Long-Term Liabilities	(171)
Unearned Revenue	201
Pension Expense Changes Related to Net Pension Liability	(3,137)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (21,953)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Capital Assets Acquired by Gifts-in-Kind	\$ 3
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	60

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the four state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Eastern Oregon University (EOU) is one of the four universities that make up the OUS.

The EOU financial reporting entity is reported under the heading of University on the basic financial statements. EOU is located in La Grande, Oregon. The EOU reporting entity also includes one university foundation which is reported as a discretely presented component unit in the EOU Financial Statements. See "Note 19. University Foundation" for additional information relating to this component unit. Organizations that are not financially accountable to EOU, such as booster and alumni organizations, are not included in the reporting entity.

EOU is also reported as one of the four universities that make up OUS and is reported as part of the OUS Annual Financial Report. OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

These financial statements present only EOU, including the discretely presented component unit described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 which established a pathway for EOU to become an independent public body legally separate from OUS. The State Board of Higher Education conditionally endorsed EOU to become a separate legal entity with an independent governing board effective July 1, 2015. EOU will not be included in the OUS financial reporting entity starting with the fiscal year 2016 financial report. EOU will be included as a component unit in the Comprehensive Annual Financial Report issued by the State starting with the fiscal year 2016 financial report.

### B. Financial Statement Presentation

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

bilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

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

Financial statements of the university foundation are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

### NEWLY IMPLEMENTED ACCOUNTING STANDARDS

EOU implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the fiscal year ended June 30, 2015. GASB No. 68 improves accounting and financial reporting by state and local governments for pensions. Concurrently, EOU implemented GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective for the fiscal year ended June 30, 2015. GASB No. 71 updates GASB No. 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. As a result of the implementation of GASB Nos. 68 and 71, EOU restated beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by (\$4,518) and reduced Pension Expense by \$3,137 resulting in a change in Unrestricted Net Position of (\$1,381). The ending net pension asset as of June 30, 2015 is \$2,475. See Note 13 Employee Retirement Plans for further details.

EOU implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the fiscal year ended June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The adoption of GASB No. 69 did not impact the EOU financial statements.

### UPCOMING ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements and is effective for the fiscal year ending June 30, 2016. The adoption of GASB No. 72 is not expected to have a material impact on the EOU financial statements, however it will impact the related reporting requirements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability and is effective for the fiscal

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

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year ending June 30, 2017. EOU is analyzing the effects of the adoption of GASB 73 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 improves the usefulness of information about postemployment benefits other than pensions (other postemployment 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. EOU is analyzing the effects of the adoption of GASB No. 75 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

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

### C. Basis of Accounting

For financial reporting purposes, EOU is considered a special-purpose government engaged only in business-type activities. Accordingly, the EOU 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 consists of: cash on hand, cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF), cash and cash equivalents restricted for the payment of the current portion of debt service, and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

### E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported

as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

Investments are classified as noncurrent assets in the Statement of Net Position.

### F. Inventories

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

### G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. EOU capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. EOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of \$50 to \$100, depending on the type of real property. Intangible assets valued in excess of \$100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

EOU capitalizes interest expense on projects exceeding \$20,000 that are partially or fully funded by XI-F debt or internally generated funds. For the fiscal year ended June 30, 2015, no projects qualified for capitalized interest.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art or historical treasures, or library special collections.

### H. Unearned Revenues

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

### I. Compensated Absences

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

### J. Net Pension

The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, are actuarially determined at the system-wide Plan level and are allocated to employers based on their proportionate share. EOU is included in the proportionate share for all state agencies. The University's proportionate share is allo-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

cated by the Oregon State Department of Administrative Services. The system-wide Plan uses the accrual basis of accounting, for more information see Basis of Accounting in Note 13 on page 27.

### K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans, and to economic loss on refunding of various bonds which is a result of the difference in the carrying value of the refunded debt and its reacquisition price.

### L. Net Position

EOU'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, plus unspent bond proceeds.

#### RESTRICTED – NONEXPENDABLE

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

#### RESTRICTED – EXPENDABLE

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

#### UNRESTRICTED

Unrestricted are resources that may be used at the discretion of the Board. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first.

### M. Endowments

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

In April 2015, in accordance with a fund management agreement between the University and the EOU Foundation, EOU transferred management of all endowment assets, totaling \$1,567 in cash and investments, from OUS to the EOU Foun-

ation. The University endowment investments are invested with the objectives of long-term capital appreciation and stable but growing income stream. Per the agreement, and in effect for the fourth quarter of fiscal year 2015, the University policy is to distribute 5.5 percent of endowment earnings, in quarterly installments.

For the year ended June 30, 2015, the net amount of appreciation available for authorization for expenditure was \$570.

Nonexpendable Endowments on the Statement of Net Position of \$554 at June 30, 2015, represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

### N. Income Taxes

EOU is treated as a governmental entity for tax purposes. As such, EOU is generally not subject to federal and state income taxes. However, EOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the year ended June 30, 2015, because there is no significant amount of taxes on such unrelated business income for EOU.

### O. Revenues and Expenses

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

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

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

### P. Allowances

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

between the revenues charged to students and the amounts actually paid. EOU has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by EOU, amounted to \$1,551 for the fiscal year ended 2015. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be \$3,447 for the fiscal year ended 2015. Bad debt expense is included as an allowance to operating revenues and is estimated to be (\$65) for the fiscal year ended 2015. A negative allowance indicates that bad debt expense for the year was lower than previously estimated.

### Q. Federal Student Loan Programs

EOU receives proceeds from the Federal Direct Student Loan Program. Since EOU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an agency fund and included in Deposits in the Statement of Net Position. Federal student loans received by EOU students but not reported in operations was \$17,446 for the fiscal year ended 2015.

### R. Use of Estimates

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

### S. Change in Accounting Principle

GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, are effective for fiscal year 2015. The State of Oregon Public Employees Retirement System did not determine the amounts as of June 30, 2013 so restatement of all prior periods presented is not possible. The cumulative effect of applying GASB Nos. 68 and 71 is reported as a restatement of beginning net position as of July 1, 2014 as follows:

	July 1, 2014
Beginning Net Position	\$ 13,835
Less Beginning Net Pension Liability	(5,571)
Plus Beginning Deferred Outflows	1,053
Total Change in Accounting Principle	(4,518)
Restated Beginning Net Position	<u>\$ 9,317</u>

## 2. CASH AND INVESTMENTS

A portion of EOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury) during fiscal year 2015. These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds of EOU are commingled with cash from other public universities in Oregon and referred to collectively as the

Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined Designated University, currently Oregon State University. EOU is a participant in the PUF investment pool along with other public universities from the state of Oregon. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for each investment pool. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

EOU endowments are invested and managed by the EOU Foundation. See Note 1.M for additional information regarding EOU endowments.

In general, deposits and investment securities as described below, are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the investment risk exposures, see note 2B below.

For full disclosure regarding cash and investments held at the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking via the internet at [oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx](http://oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx).

### A. Cash and Cash Equivalents

#### DEPOSITS WITH STATE TREASURY

EOU maintains a portion of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal year ended June 30, 2015, EOU cash and cash equivalents on deposit at State Treasury totaled \$4,490.

Cash and Cash Equivalents are classified as current and non-current which include both restricted and unrestricted cash. The current portion includes \$403 in internal agency funds for payroll liabilities and \$144 held for debt service payments. The noncurrent portion includes \$46 in internal agency funds for EOU student groups and campus organizations and \$1,202 held for debt service payments.

#### 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. Since EOU cash balances held on deposit at the State Treasury are invested continuously, custodial credit risk exposure to the State Treasury is low.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

### FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk.

### OTHER DEPOSITS

For the year ended June 30, 2015, EOU had vault and petty cash balances of \$8. Additionally, EOU had cash held by Trustee related to capital construction bonds and debt service payments in the amount of \$3,419 for fiscal year ended June 30, 2015. Cash held by trustee is included in noncurrent cash in the Statement of Net Position.

### B. Investments

EOU operating funds are invested in the PUF. The PUF investment policy is governed by the Oregon Investment Council (OIC), Oregon State University Board of Trustees and approved by the State Board of Higher Education (SBHE). All investments are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

EOU endowments are invested and managed by the EOU Foundation. See Note 1.K for additional information regarding EOU endowments.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2015, EOU had \$10,515 in investments; \$8,978 invested through the PUF and \$1,537 of restricted endowments invested through the EOU Foundation. Of the amounts invested through the PUF, \$880 are internal agency funds for payroll liabilities and undistributed student loans and \$2,519 are held for debt service payments.

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

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of EOU's portion of PUF pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2015.

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

Of EOU's total investments invested through the PUF investment pools of \$8,978, \$5,587 was invested in an intermedi-

ate-term fixed income pool managed by State Treasury and \$3,391 was invested in a long-term fixed income pool.

Investments of the EOU discretely presented component unit is summarized at June 30, 2015 as follows:

### COMPONENT UNIT

Fair Value at June 30, Investment Type:	2015
Mutual Funds	\$ 8,742
Money Market Funds	405
Total Investments	\$ 9,147

### CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. The OUS has an investment policy for each segment of its investment portfolio. As of June 30, 2015 approximately 36 percent of investments in the PUF Pools are subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled \$99,259 at June 30, 2015. Fixed income securities which have not been evaluated by the rating agencies totaled \$10,759 at June 30, 2015. The PUF totaled \$307,454 at June 30, 2015, of which EOU owned \$8,978 or 2.9 percent. Additionally, approximately 25 percent, or \$380, of investments of the EOU endowments are subject to credit risk reporting. All are Fixed income securities which have not been evaluated by the rating agencies.

### CUSTODIAL CREDIT RISK

Custodial credit risk refers to OUS investments that are held by others and not registered in OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where cash is transferred to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions around securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

### CONCENTRATION OF CREDIT RISK

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

### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. No amounts of the PUF investments or of the EOU endowment investments were primarily invested in international debt or equities at June 30, 2015.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

### INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2015, securities in the PUF Investment Pool held subject to interest rate risk totaling \$110 had an average duration of 3.38 years. Additionally, securities of the EOU Endowment investments held subject to interest rate risk totaling \$380 had an average duration of 4.30 years. Duration measures the change in the value of a fixed income security that will result from a 1 percent change in interest rates.

### C. Securities Lending

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of the EOU and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2015. Amounts reported on EOU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by the public universities in total.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for EOU securities on loan in the OSTF. At June 30, 2015, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit, and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name.

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

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

### 3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component unit, comprised the following:

	June 30, 2015
Student Tuition and Fees	\$ 4,001
Auxiliary Enterprises and Other	
Operating Activities	416
Federal Grants and Contracts	349
State, Other Government, and Private	
Gifts, Grants and Contracts	352
Other	968
	<u>6,086</u>
Less: Allowance for Doubtful Accounts	(1,076)
Accounts Receivable, Net	<u>\$ 5,010</u>

### 4. NOTES RECEIVABLE

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

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

	June 30, 2015		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 47	\$ -	\$ 47
Federal Student Loans	265	1,190	\$ 1,455
	<u>312</u>	<u>1,190</u>	<u>1,502</u>
Less: Allowance for Doubtful			
Accounts	(26)	(117)	(143)
Notes Receivable, Net	<u>\$ 286</u>	<u>\$ 1,073</u>	<u>\$ 1,359</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance July 1, 2014	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2015
<b>Capital Assets,</b>					
<b>Non-depreciable/Non-amortizable:</b>					
Land	\$ 1,039	\$ -	\$ -	\$ -	\$ 1,039
Capitalized Collections	341	-	-	-	341
Construction in Progress	232	34	(272)	6	-
<b>Total Capital Assets, Non-depreciable/Non-amortizable</b>	<b>1,612</b>	<b>34</b>	<b>(272)</b>	<b>6</b>	<b>1,380</b>
<b>Capital Assets, Depreciable/ Amortizable:</b>					
Equipment	7,224	506	-	(75)	7,655
Library Materials	8,154	308	-	(2)	8,460
Buildings	110,974	-	257	-	111,231
Land Improvements	1,482	-	-	-	1,482
Improvements Other Than Buildings	512	-	15	-	527
Infrastructure	2,423	-	-	-	2,423
Intangible Assets	1,870	-	-	-	1,870
<b>Total Capital Assets, Depreciable/Amortizable</b>	<b>132,639</b>	<b>814</b>	<b>272</b>	<b>(77)</b>	<b>133,648</b>
<b>Less Accumulated Depreciation/ Amortization for:</b>					
Equipment	(6,300)	(226)	-	3	(6,523)
Library Materials	(6,931)	(272)	-	2	(7,201)
Buildings	(35,862)	(3,277)	-	-	(39,139)
Land Improvements	(1,113)	(72)	2	-	(1,183)
Improvements Other Than Buildings	(345)	(37)	(2)	-	(384)
Infrastructure	(2,215)	(2)	-	-	(2,217)
Intangible Assets	(1,714)	(59)	-	-	(1,773)
<b>Total Accumulated Depreciation/ Amortization</b>	<b>(54,480)</b>	<b>(3,945)</b>	<b>-</b>	<b>5</b>	<b>(58,420)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 79,771</b>	<b>\$ (3,097)</b>	<b>\$ -</b>	<b>\$ (66)</b>	<b>\$ 76,608</b>
<b>Capital Assets Summary</b>					
Capital Assets, Non-depreciable/ Non-amortizable	\$ 1,612	\$ 34	\$ (272)	\$ 6	\$ 1,380
Capital Assets, Depreciable/ Amortizable	132,639	814	272	(77)	133,648
Total Cost of Capital Assets	134,251	848	-	(71)	135,028
Less Accumulated Depreciation/ Amortization	(54,480)	(3,945)	-	5	(58,420)
<b>Total Capital Assets, Net</b>	<b>\$ 79,771</b>	<b>\$ (3,097)</b>	<b>\$ -</b>	<b>\$ (66)</b>	<b>\$ 76,608</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	<b>June 30, 2015</b>
Services and Supplies	\$ 1,268
Accrued Interest	766
Salaries and Wages	670
Total	<u>\$ 2,704</u>

7. OPERATING LEASES

A. Receivables/Revenues

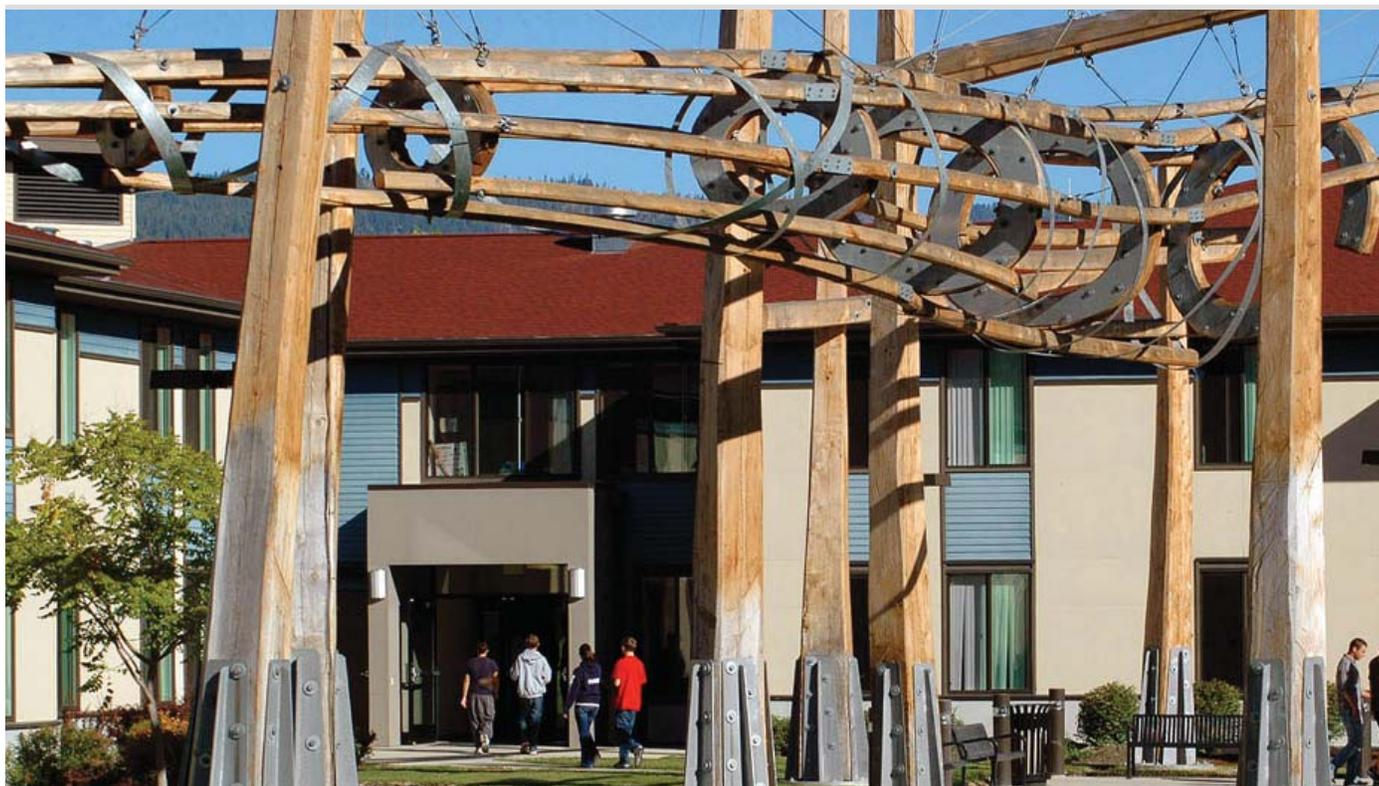
EOU had one operating lease during fiscal year ended June 30, 2015, which generated \$2 in revenue. There are no future receivables as of June 30, 2015.

B. Payables/Expenses

EOU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$77 for the year ended June 30, 2015. Minimum future lease payments on operating leases at June 30, 2015 were:

For the year ending June 30,

2016	\$ 38
2017	20
2018	10
2019	6
2020	1
Total Minimum Operating Lease Payments	<u>\$ 75</u>



On-campus housing has capacity for 355 students in three residence halls. EOU also provides 16 off-campus units for students with families.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2014			Balance June 30, 2015			Amount Due Within One Year	Long-Term Portion
		Additions	Reductions					
Long-Term Debt								
Due to OUS:								
General Obligation Bonds XI-F(1)	\$ 20,074	\$ 755	\$ (1,622)	\$ 19,207	\$ 1,154	\$ 18,053		
General Obligation Bonds XI-G	15,712	1,861	(2,397)	15,176	747	14,429		
General Obligation Bonds XI-Q	8,101	4,115	(346)	11,870	525	11,345		
Certificates of Participation (COPs)	1,377	-	(755)	622	68	554		
Lottery Bonds	21,631	2,420	(3,169)	20,882	1,114	19,768		
Oregon Department of Energy Loans (SELP)	8,564	-	(354)	8,210	338	7,872		
Capital Leases	42	-	(29)	13	8	5		
Total Long-Term Debt	75,501	9,151	(8,672)	75,980	3,954	72,026		
Other Noncurrent Liabilities								
PERS pre-SLGRP pooled Liability	2,237	-	(97)	2,140	86	2,054		
Compensated Absences	1,053	795	(849)	999	892	107		
Other Postemployment Benefits	621	34	-	655	-	655		
Early Retirement Liability	167	-	(53)	114	39	75		
Total Other Noncurrent Liabilities	4,078	829	(999)	3,908	1,017	2,891		
<b>Total Long-Term Liabilities</b>	<b>\$ 79,579</b>	<b>\$ 9,980</b>	<b>\$ (9,671)</b>	<b>\$ 79,888</b>	<b>\$ 4,971</b>	<b>\$ 74,917</b>		

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

For the Year Ending June 30,	General Obligation Bonds				Lottery Bonds	SELP	Capital Leases	Total Payments	Principal	Interest
	XI-F(1)	XI-G	XI-Q	COPs						
2016	\$ 1,821	\$ 1,160	\$ 972	\$ 94	\$ 1,748	\$ 735	\$ 9	\$ 6,539	\$ 3,398	\$ 3,141
2017	1,824	1,162	972	93	1,737	735	4	6,527	3,448	3,079
2018	1,635	1,166	969	93	1,733	734	1	6,331	3,453	2,878
2019	1,653	1,079	971	93	1,269	735	-	5,800	3,119	2,681
2020	1,614	1,077	971	93	1,453	735	-	5,943	3,375	2,568
2021-2025	6,719	5,305	5,255	58	7,823	3,675	-	28,835	18,573	10,262
2026-2030	5,323	4,851	4,180	275	7,583	3,699	-	25,911	20,294	5,617
2031-2035	4,570	3,434	935	-	3,963	1,023	-	13,925	12,522	1,403
2036-2040	658	88	51	-	-	-	-	797	779	18
Accreted Interest									530	(530)
									\$ 69,491	\$ 31,117
<b>Total Future Debt Service</b>	<b>25,817</b>	<b>19,322</b>	<b>15,276</b>	<b>799</b>	<b>27,309</b>	<b>12,071</b>	<b>14</b>	<b>100,608</b>		
Less: Interest Component of Future Payments	(7,863)	(5,404)	(4,877)	(205)	(8,906)	(3,861)	(1)	(31,117)		
<b>Principal Portion of Future Payments</b>	<b>17,954</b>	<b>13,918</b>	<b>10,399</b>	<b>594</b>	<b>18,403</b>	<b>8,210</b>	<b>13</b>	<b>69,491</b>		
Adjusted by:										
Unamortized Bond Premiums	1,253	1,258	1,471	28	2,479	-	-	6,489		
<b>Total Long-Term Debt</b>	<b>\$ 19,207</b>	<b>\$ 15,176</b>	<b>\$ 11,870</b>	<b>\$ 622</b>	<b>\$ 20,882</b>	<b>\$ 8,210</b>	<b>\$ 13</b>	<b>\$ 75,980</b>		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

The State of Oregon and the OUS Board issue various debt instruments to fund capital projects at all OUS institutions, including EOU. These debt instruments include General Obligation Bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery Bonds. Principal and interest amounts due relating to EOU's share of these debt issuances are payable to OUS. In addition, EOU also borrows funds from the Oregon Department of Energy. EOU pays these debt obligations directly.

### A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2036. During the fiscal year ended June 30, 2015, the OUS Board issued XI-F (1) bonded indebtedness on behalf of EOU as follows:

- \$600 of Series 2015 B XI-F(1) Tax Exempt bonds with an effective rate of 4.68 percent, due serially through 2034 for refunding.

### B. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.41 percent to 7.0 percent, are due serially through 2036. During the fiscal year ended June 30, 2015, the State issued XI-G bonded indebtedness on behalf of EOU as follows:

- \$1,525 of Series 2015 A XI-G Tax Exempt bonds with an effective rate of 4.80 percent, due serially through 2034 for refunding.

### C. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.19 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal year ended June 30, 2015, the State issued XI-Q bonded indebtedness on behalf of EOU as follows:

- \$2,830 of Series 2015 F XI-Q Tax Exempt bonds with an effective rate of 1.91 percent, due serially through 2035 for capital construction.
- \$626 of Series 2015 H XI-Q Taxable Exempt bonds with an effective rate of 4.83 percent, due serially through 2027 for refunding of COPs.

### D. Certificates of Participation

COPs, with effective yields ranging from 2.69 percent to 5.00 percent, are due through fiscal year 2029. The State has not issued COPs on behalf of EOU since fiscal year 2010.

### E. Lottery Bonds

Lottery Bonds, with effective yields ranging from 0.25 percent to 4.57 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2015, the State issued Lottery Bonds on EOU's behalf as follows:

- \$1,967 of 2015 Series C Tax Exempt bonds with an average interest rate of 4.73 percent, due serially through 2027, for refunding.

### F. Oregon Department of Energy Loans (SELP)

EOU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at EOU. EOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 3.73 percent to 5.84 percent, are due through 2033.

### G. Defeased Debt

EOU participates in a debt portfolio managed by OUS. From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease other debt.

During the year ended June 30, 2015, the State issued on behalf of EOU \$600 in XI-F(1) Bonds with an average interest rate of 4.68 percent to refund \$615 in XI-F(1) Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were \$722 (after payment of \$4 in underwriting costs and bond premium of \$126).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$98. The refunding was undertaken to reduce total debt service payments principal and interest over the next 23 years by \$354 and resulted in an economic gain of \$280.

During the year ended June 30, 2015, the State issued on behalf of EOU \$1,525 in XI-G Bonds with an average interest rate of 4.80 percent to refund \$1,674 in XI-G Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were \$1,849 (after payment of \$10 in underwriting costs and bond premium of \$334).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$158. The refunding was undertaken to reduce total debt service payments (principal and interest over the next 23 years by \$228 and resulted in an economic gain of \$177).

During the year ended June 30, 2015, the State issued on behalf of EOU \$626 in XI-Q Bonds with an average interest rate of 5.0 percent to refund \$663 in COPs with an average interest rate of 4.83 percent. The net proceeds of the bonds were \$762 (after payment of \$3 in underwriting costs and bond premium of \$139).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$72. The refunding was undertaken to reduce total debt service payments (principal and interest over the next 12 years by \$58 and resulted in an economic gain of \$50).

During the year ended June 30, 2015, the State issued on behalf of EOU \$1,967 in Lottery Bonds with an average interest rate of 4.73 percent to refund \$2,103 in Lottery Bonds with an average interest rate of 4.58 percent. The net proceeds of the bonds were \$2,428 (after payment of \$8 in underwriting costs, bond premium of \$454 and cash on hand paid at the time of issuance from a reserve account of \$15).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$246. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by \$163 and resulted in an economic gain of \$160).

The total amount of defeased debt outstanding but removed from the financial statements as of June 30, 2015 totaled \$15,717.

### H. Capital Leases

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

The lease purchase (capital lease) contracts run through fiscal year 2018. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 13.4 percent to 6.0 percent with a weighted average interest rate of 9.6 percent.

### I. Financial Guarantees

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

### J. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid by EOU in the amount of \$149 for June 30, 2015. Principal payments of \$86 were applied to the liability for June 30, 2015. A prior period adjustment of \$(11) was applied to the EOU SLGRP liability by the State.

### K. Early Retirement Liability

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

## 9. CHANGE IN ENTITY

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 which established a pathway for EOU to become an independent public body legally separate from OUS. The State Board of Higher Education conditionally endorsed EOU to become separate legal entities with an independent governing board effective July 1, 2015. Prior to July 1, 2015 EOU was a part of the OUS, a state agency of the State of Oregon. As a state agency some assets were held centrally by the OUS, these assets were distributed to the seven universities, including EOU, on or before the June 30, 2015 closing of OUS.

Changes in Net Position due to the Change in Entity comprised the following:

	<u>June 30, 2015</u>
<b>Assets transferred from OUS Resulting in Increase to Net Position</b>	
Cash Distribution From/For:	
Closing of OUS Internal Bank	\$ 92
Student Building Fee Fund	3,496
Lottery Debt Service Funds	59
Fraud Prevention Funds	20
Support From Chancellor's Office	750
Remaining Cash at Close of Chancellor's Office	<u>49</u>
Total Assets Transferred from OUS	4,466
<b>Other Changes</b>	
Principal & Interest Payments on Institution Debt Paid by Chancellor's Office	619
<b>Total Change due to Change in Entity</b>	<u>\$ 5,085</u>

## 10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	<u>June 30, 2015</u>
Investment Earnings	\$ 180
Endowment Income	94
Interest Income	9
Gain (Loss) on Sale of Investment	(58)
<b>Total Investment Activity</b>	<u>\$ 225</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)**

**11. OPERATING EXPENSES BY NATURAL CLASSIFICATION**

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

	June 30, 2015
Compensation and Benefits	\$ 27,938
Services and Supplies	12,271
Scholarships and Fellowships	4,864
Depreciation and Amortization	3,945
Other Expenses	92
<b>Total Operating Expenses</b>	<b>\$ 49,110</b>

**12. GOVERNMENT APPROPRIATIONS**

Government appropriations comprised the following:

	June 30, 2015		
	General Operations	Debt Service	Total
State General Fund	\$ 16,348	\$ 2,562	\$ 18,910
State Lottery Funding	444	808	1,252
<b>Total Appropriations</b>	<b>\$ 16,792</b>	<b>\$ 3,370</b>	<b>\$ 20,162</b>

**13. EMPLOYEE RETIREMENT PLANS**

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

**A. DEFINED BENEFIT RETIREMENT PLANS**

The University implemented GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the reporting period ending June 30, 2015. Beginning balance as of July 1, 2015 for Net Pension Liability and Deferred Outflows of Resources are presented on the Statement of Revenues, Expenses and Changes in Net Position as a Change in Accounting Principle. See Note 1.S for more information on the Change in Accounting Principle presentation.

**Pension Plan**

The Oregon Public Employees Retirement System (System) consists of a single cost-sharing multiple employer defined benefit plan in which all classes of employees of the University are eligible to participate.

**Plan Benefits**

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

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

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

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

**Death Benefits**

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

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

**Disability Benefits**

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

**Benefit Changes After Retirement**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

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

### **OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP) PENSION PROGRAM**

#### **Pension Benefits**

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.5 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. Under current law, the cap on the COLAs in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60 of annual benefit and 0.15 percent on annual benefits above \$60.

### **CONTRIBUTIONS**

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates first became effective July 1, 2013. The employer contribution rate for Tiers One and Two for the years ended June 30, 2015 was 9.86 percent. The employer contribution rate for OPSRP for the year ended June 30, 2015 was 8.14 percent.

Employer required contributions for PERS and OPSRP for the year ended June 30, 2015 were \$1,110, including amounts to fund employer specific liabilities

A 10-year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

### **PENSION PLAN CAFR**

The System issues an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

### **ADDITIONAL INFORMATION**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions:* At June 30, 2015, the University reported a net pension asset of \$2,475 for its proportionate share of the PERS net pension asset. The net pension asset was measured as of December 31, 2012, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The PERS system does not provide the University a proportionate share as a separate employer; the University is a portion of employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services calculated the University's proportional share internally based on fiscal year 2014 actual contributions. The State of Oregon Audits Division reviewed this internal calculation. At June 30, 2014, EOU's proportion was 0.11 percent of the statewide pension plan, and 0.46 percent of employer state agencies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

For the year ended June 30, 2015, EOU recorded a net reduction in pension expense of \$3,137. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,775
Differences between System's contributions and proportionate share of contributions	44	-
Total	<u>\$ 44</u>	<u>\$ 4,775</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		(4,731)
Contributions Subsequent to the MD	<u>875</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		<u>\$ (3,856)</u>

Of the amount reported as deferred outflows of resources, \$875 are related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflow/(Inflow) of Resources</u>
Year Ended June 30:	
2016	\$ (1,184)
2017	(1,184)
2018	(1,184)
2019	(1,184)
2020	5
	<u>\$ (4,731)</u>

### Change in Proportionate Share

There was no change in proportionate share for fiscal years ending June 30, 2013 and June 30, 2014. Because the proportionate share is actuarially determined, it was calculated as of the December 31, 2012 valuation date used to develop results for both the June 30, 2013 and June 30, 2014 Measurement Dates. In future measurement periods, there may be changes in proportionate shares from the beginning of the period to the end.

### Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal year ending June 30, 2014, there was:

- No difference between expected and actual experience.
- No difference due to changes of assumptions.
- A net difference between projected and actual earnings which is being amortized over a closed five year period. One years amortization is being recognized in the employer's total pension expense for fiscal year 2015.
- No changes in proportion.
- A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.6 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in the employer's total pension expense for fiscal year 2015.

### Summary of Significant Accounting Policies for PERS

**Reporting Entity.** PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

**Basis of Accounting.** The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and PERS Board requirements. Expenses are recognized when incurred. Benefits are recognized when currently due and payable. Withdrawals are recognized in the month they are due and payable. Investments are reported at fair value.

### Changes in Plan Provisions

Senate Bill (SB) 822, signed into law in May 2013, eliminated the SB 656/House Bill (HB) 3349 tax remedy payments for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLAs to 1.5 percent of annual benefit.

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

SB 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

For GASB Nos. 67 and 68, the Total Pension Liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the timing of the benefit changes, this means only SB 822 is reflected in the June 30, 2013 Total Pension Liability, but that the combined effects of SBs 822 and 861 are reflected in the June 30, 2014 Total Pen-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

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sion Liability. The decrease in the Total Pension Liability resulting from SB 861, measured as of June 30, 2014, created a \$2,423.6 million reduction in Plan pension liabilities.

### **Employer Contributions**

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on payday.

Beginning with fiscal year 2015, PERS is able to report cash contributions by employer, and published this information on the PERS Website. Prior to fiscal year 2015, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

### **Net Pension Liability**

Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share. The rate setting actuarial valuation will continue to allocate the transitional or pre-SLGRP liabilities or surpluses as adjustments to the respective employers.

### **Changes in Assumptions**

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

#### Changes in Actuarial Methods and Allocation Procedures:

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

*Tier 1/Tier 2 Unfunded Actuarial Liability (UAL) Amortization.* In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

*Contribution Rate Stabilization Method.* The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 percent to 60 percent or increases from 130 percent to 140 percent. Previously the ranges had been 80 percent to 70 percent and 120 percent to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board public meeting.

*Allocation of Liability for Service Segments.* For purposes of allocating Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

#### Changes in Economic Assumptions:

*Investment Return and Interest Crediting.* The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8.00 percent and the assumed interest crediting to variable account balances was 8.25 percent.

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

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

#### Changes in Demographic Assumptions:

*Healthy Mortality.* The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

*Disabled Mortality.* The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

*Disability, Retirement from Active Status, and Termination.* Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

#### Changes in Salary Increase Assumptions

*Retiree Healthcare Participation.* The Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 48 percent to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)**

**Plan fiduciary net position as a percentage of total pension liability**

See Schedule of Changes in Net Pension (Asset)/Liability on page 57 of the PERS June 30, 2014 CAFR.

**Actuarial Valuations**

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier 1/Tier 2 component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**Actuarial Methods and Assumptions**

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier 1/Tier 2 UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
<b>Actuarial assumptions:</b>	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.
	Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of cur-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

rent plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

### Depletion Date Projection

GASB No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB No. 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB No. 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB No. 67 does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB No. 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB No. 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

### Assumed Asset Allocation

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

### Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/ Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation – Mean		2.75

### Sensitivity Analysis

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	University's proportionate share of the net pension asset
1 % Decrease -6.75%	\$5,241
Current Discount Rate -7.75%	(2,475)
1 % Increase -8.75%	(9,000)

### BOND DEBT

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

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

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.7 percent. Payroll assessments for the fiscal year ended June 30, 2015 were \$828.

### B. DEFINED CONTRIBUTION RETIREMENT PLANS

#### OPTIONAL RETIREMENT PLAN

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

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403b 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 403b deferrals up to a 4 percent maximum.

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

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

\*With up to an additional 4% match of voluntary 403(b) salary deferrals

### SUMMARY OF PENSION PAYMENTS

EOU total payroll for the year ended June 30, 2015 was \$20,945, of which \$4,518 was subject to defined contribution plan retirement contributions.

The following schedule lists payments made by EOU for the fiscal year:

	June 30, 2015			
	As a % of		As a % of	
	Employer Contribution	Covered Payroll	Employee Contribution	Covered Payroll
ORP	525	11.62%	274	6.07%
Total	\$ 525	11.62%	\$ 274	6.07%

EOU paid 100 percent of the ORP Employee Contribution amounts on behalf of their employees during the fiscal year ended June 30, 2015.

### 14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2015, EOU was a part of OUS as a participant in the defined benefit postemployment health care plan.

*Plan Description.* EOU 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 postemployment 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 EOU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by EOU for its employees are based on a blended premi-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

um of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to EOU's share, estimated at 0.73 percent of the total PEBB plan costs attributable to the State of Oregon. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2015.

*Funding Policy.* EOU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2015, EOU paid healthcare insurance premiums of \$5,662. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be \$44 for the fiscal year ended 2015.

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

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

	June 30, 2015
Annual Required Contribution	\$ 96
Interest on Net OPEB Obligation	20
Adjustment to Annual Required Contribution	(38)
Annual OPEB Cost	78
Contributions Made	(44)
Increase in Net OPEB Obligation	34
Net OPEB Obligation - Beginning of Year	621
Net OPEB Obligation - End of Year	\$ 655

The EOU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation for the fiscal year ended June 30, 2015 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 79	12%	\$ 655
2014	156	25%	621
2013	160	27%	591

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

	June 30, 2015
Actuarial Accrued Liabilities	\$ 763
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	\$ 763
Funded Ratio	0.00%
Covered Payroll (active plan members)	\$ 16,993
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	4.49%

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

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

### 15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which EOU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2015 was \$2,916.

### 16. RISK FINANCING

EOU participates in a pooled risk management fund managed by the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. By participating, OUS transfers the following risk to the Trust:

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)

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

EOU retain risk for losses under \$5, which is the deductible per claim for insurance purchased through the Trust.

The Trust is backed by commercial policies, an excess property policy with a limit of \$500,000, and a blanket commercial excess bond with a limit of \$50,000. The Trust purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risk of loss.

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

In addition, the universities purchase various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association and the National Association of Intercollegiate Athletics, and to provide coverage for special events and student liability.

### 17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately \$2,979 at June 30, 2015. These commitments will be primarily funded from gifts and grants, bond proceeds, and other EOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2015.

EOU 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.

EOU 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, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. EOU 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 EOU cannot be reasonably determined at June 30, 2015.

### CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2015

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	\$ 1,361	\$ 109	\$ 1,252
Campus Wide IT Wiring	1,989	502	1,487
<b>Projects with &lt;\$500 thousand remaining to be spent</b>	<b>9,312</b>	<b>9,072</b>	<b>240</b>
	<b>\$ 12,662</b>	<b>\$ 9,683</b>	<b>\$ 2,979</b>

### 18. SUBSEQUENT EVENTS

#### OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

Effective July 1, 2015, EOU became an independent legal entity governed by the Board of Trustees of Eastern Oregon University. See Note 1 for additional information about this change in legal status.

#### REMOVAL OF STATE PAID DEBT

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

#### NEW STATE SICK LEAVE LAW

Senate Bill 454, passed in the 2015 Oregon Legislation, will take effect January 2016. The legislation mandates sick leave time for employers with more than 10 employees. The effect of this legislation should be immaterial as the majority of employees are covered by current sick leave policies. Employee classes that will become eligible for sick leave under this regulation are temporary employees and student employees not working on a work-study grant. They will receive 1-1/3 hours of leave for each 40 hours worked.

#### PENSION OBLIGATION LIABILITY

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2 percent increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015 (DOLLARS IN THOUSANDS)**

on the total pension liability and employer’s net pension liability (asset) has not been fully determined. However, PERS’ third-party actuaries have estimated the impact of the Moro decision under one possible methodology.

Below is the summarized estimate (dollars in millions). Estimates have been rounded to the nearest \$10 million.

	June 30, 2014 Measurement Date (MD)	
	Prior to Moro	After Moro (estimated)
Net Pension Liability (Asset)		
Total Pension Liability	\$ 63,135	\$ 68,050
Fiduciary Net Position	65,402	65,400
<b>Net Pension Liability (Asset)</b>	<b>\$ (2,267)</b>	<b>\$ 2,650</b>

EOU’s proportionate share of the statewide pension plan at MD: 0.10917738%  
 Net pension (asset) prior to Moro (full dollars): \$ (2,474,740)  
 Estimated net pension liability at MD after Moro (full dollars): \$ 2,893,201

ties of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of EOU and is discretely presented in the financial statements. The financial activity is reported for the year ended December 31, 2014. The EOU affiliated foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the EOU component unit on pages 11 and 13 of this document.

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

- *Eastern Oregon University Foundation, One University Blvd., La Grande, OR 97850-2807*

**19. UNIVERSITY FOUNDATION**

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of EOU. The EOU Foundation is a legally separate, tax-exempt entity with an independent governing board. Although EOU does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activi-



The Tailgate Zone maximizes the game-day experience for students and community members alike. Reservations are accepted for all of the Mountaineer’s home football games.

**REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)**

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**SCHEDULE OF EASTERN OREGON UNIVERSITY'S CONTRIBUTIONS\*  
Public Employees Retirement System**

For Fiscal Years Ended June 30,	2015	2014	2013	2012
Contractually Required Contribution	\$ 875	\$ 898	\$ 855	\$ 875
Contributions in Relation to the Contractually Required Contribution	875	898	855	875
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$ 12,474	\$ 12,332	\$ 12,005	\$ 12,179
Contributions as a Percentage of Covered Payroll	7.0%	7.3%	7.1%	7.2%

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

	June 30, 2015
University's Proportion of the Net Pension Asset	0.11%
University's Proportionate Share of the Net Pension Asset	\$ 2,475
University's Covered Payroll	\$ 12,474
University's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	19.84%
Plan Fiduciary Net Postion as a Percentage of the Total Pension Asset	109.4%

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

**Funding Status of Other Postemployment Benefits**

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	-	1,317	1,317	0.0%	16,972	7.8%
6/30/2012	-	1,273	1,273	0.0%	17,601	7.2%
6/30/2013	-	1,310	1,310	0.0%	17,342	7.6%
6/30/2014	-	828	828	0.0%	17,491	4.7%
6/30/2015	-	763	763	0.0%	16,993	4.5%

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

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Eastern Oregon University  
One University Blvd.  
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