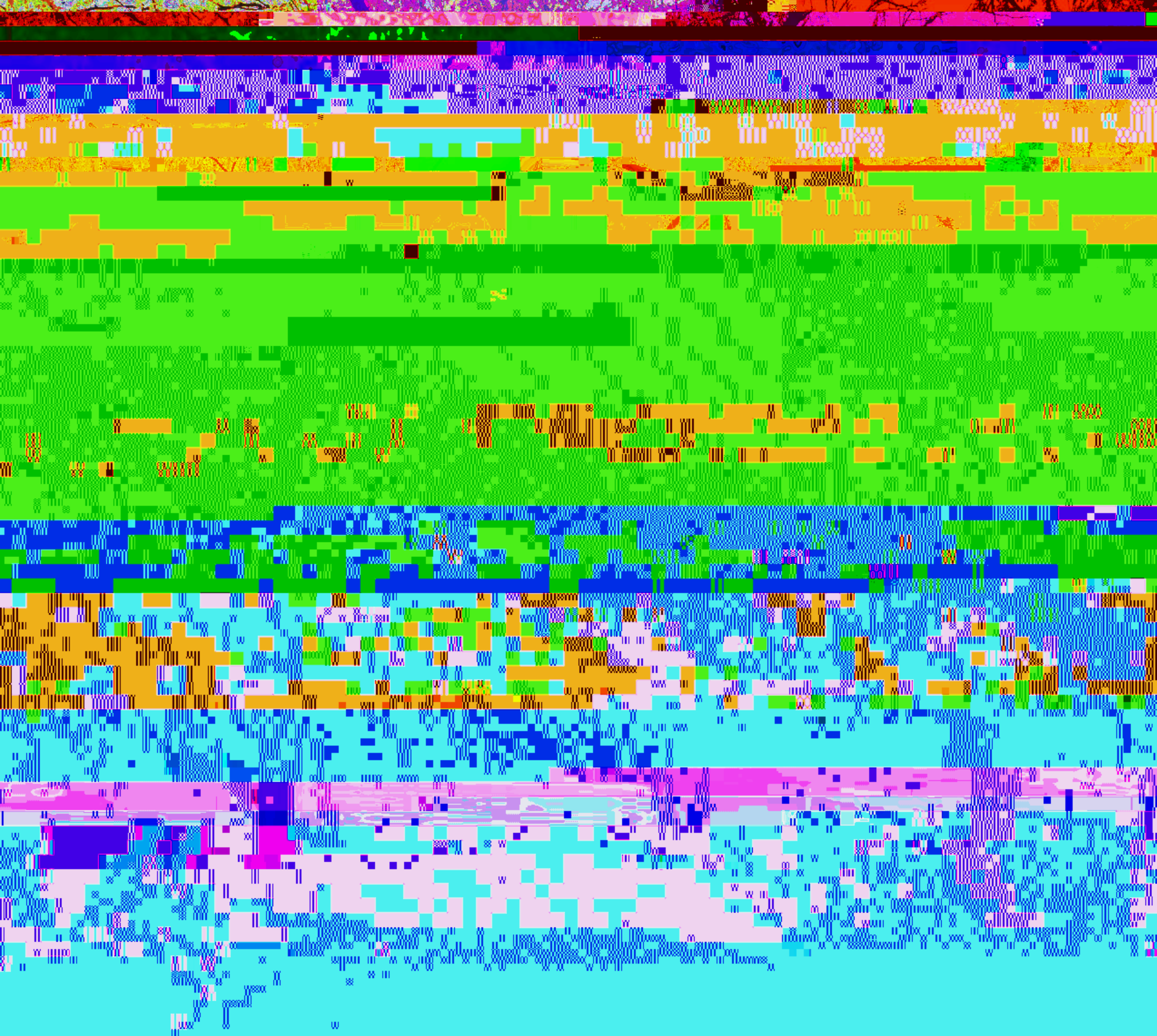

2015 Annual Financial Report

Oregon Institute of Technology

A member of the Oregon University System

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Hands-on education for real-world achievement

Oregon Institute of Technology
2015 Annual Report

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Oregon State Board of Higher Education

[illegible], Board Chair	Lake Oswego
[illegible]	Portland
[illegible]	Portland
[illegible]	Bend
[illegible]	Salem
[illegible]	Bend
[illegible]	Klamath Falls
[illegible]	Pendleton
[illegible]	Monmouth
[illegible]	Medford
[illegible]	Portland

Oregon Tech Executive Oers

Christoper G. Maples
President

Brad Burda
Provost and Vice President for Academic A airs

Mary Ann Zemke
Vice President for Finance and Administration

Mateo Aboy
Associate Provost and Vice President for Research

Erin M. Foley
Vice President for Student A airs and Dean of Students

Lita Colligan
Associate Vice President for Strategic Partnerships

Tracy Ricketts
Associate Vice President for Development & Alumni Relations

Di Saunders
Associate Vice President for Communications & Public A airs

Paul Rowan
Associate Vice President for Information Technology and Chief Information O cer

Sandra Fox
Board Secretary

in scal year 2014 and 2015 for undergraduate residents and Western Undergraduate Exchange Program (WUE) students, excluding di erential tuition. An incremental di erential tuition program was initiated during scal year 2014 for certain programs o ered in the College of Engineering, Technology and Management. In scal years 2014 and 2015, di erential tuition increased by ve percent, respectively, in each of the two scal years as part of phase-in period. Fiscal year 2016 will be the nal year of the College•s di erential tuition phase-in period.

 e 2013 legislature enacted SB 270 which granted independent governing boards of trustees to all seven of the public universities. On July 1, 2015, the Oregon Tech Board of Trustees assumed all governance authority previously vested in the State Board of Higher Education. While this structure generally provides increased operating exibility, public universities are still required to participate in group health insurance, a select set of group retirement plans, and collective bargaining through July 1, 2019.

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Statement of Financial Position - Oregon Tech Foundation

As of June 30,	Component Unit 2015		Component Unit 2014	
	(In thousands)			
ASSETS				
Cash and Cash Equivalents	$	284	$	57
Contributions, Pledges and Grants Receivable, Net		182		1,147
Investments (Note 2)		23,275		22,660
Prepaid Expenses and Other Assets		432		429
Property and Equipment, Net		205		205
Total Assets	$	24,378	$	24,498
LIABILITIES				
Accounts Payable and Accrued Liabilities	$	24	$	21
Accounts Payable to University		249		182
Obligations to Beneficiaries of Split-Interest Agreements		345		298
Long-Term Liabilities		1,004		1,112
Total Liabilities	$	1,622	$	1,613
NET ASSETS				
Unrestricted	$	8,894	$	9,389
Temporarily Restricted		5,286		5,203
Permanently Restricted		8,576		8,293
Total Net Assets	$	22,756	$	22,885

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

L. Net Position

Oregon Tech's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – EXPENDABLE

Restricted expendable includes resources which Oregon Tech 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 first applied

M. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives Oregon Tech the authority to use the interest, income, dividends, or profits of endowments. Current OUS Board policy is 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 accordance with current Board policy, the amount available for distribution during fiscal year 2016 is estimated to be $8.

Oregon's Tech endowments are not true endowments (in that the donor does not require the corpus to remain intact in perpetuity) and are included in Expendable Gifts, Grants and Contracts on the Statement of Net Position.

N. Income Taxes

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

O. Revenues and Expenses

Oregon Tech 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, Oregon Tech 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 GASBs No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, and GASBs No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

P. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually collected from the students or other third party payers. Oregon Tech has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by Oregon Tech, amounted to $3,074 and $2,203 for the fiscal years ended 2015 and 2014, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $4,703 and $4,723 for the fiscal year ended 2015 and 2014, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $60 and $186 for the fiscal year ended 2015 and 2014, respectively.

Q. Federal Student Loan Programs

Oregon Tech receives proceeds from the Federal Direct Student Loan Program. Since Oregon Tech transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are not reported in operations. Federal student loans received by Oregon Tech students but not reported in operations was $19,111 and $20,615 for the fiscal years ended 2015 and 2014, respectively.

R. Use of Estimates

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

S. Change in Accounting Principle

GASB Statement No. 68, Accounting and Financial Reporting n .09 c 8.013,N

8. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	$ 46,876	$ 9,165	$ (10,113)	$ 45,928	1,785	

mately responsible for OUS •nancial obligations. As of June 30, 2015, no amounts have been paid by the State of Oregon for OUS •nancial 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). ese two pools combined to form the SLGRP e ective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. e pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. e balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. e 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 Oregon Tech in the amount of $125 and $121 for June 30, 2015 and 2014, respectively. Principal payments of $72 and $49 were applied to the liability for June 30, 2015 and 2014, respectively. A prior period adjustment of $10 was applied to the Oregon Tech SLGRP liability by the state at June 30, 2015.

9. Change in Entity

Senate Bill (SB) 270 was passed by the Oregon Legislature during scal year 2013 and established a pathway for Oregon Tech to become an independent public body legally separate from the Oregon University System (OUS). e State Board of Higher Education unconditionally endorsed Oregon Tech to become a separate legal entity with an independent governing board e ective July 1, 2015. Prior to July 1, 2015, Oregon Tech was a part of the OUS, a state agency of the State of Oregon. As a state agency, some assets were held centrally by OUS, these assets were distributed to the seven universities, including Oregon Tech, on or before the June 30, 2015 closing of OUS. e change in entity also changed the allocation of bond debt held in the name of the State of Oregon. e State of Oregon Department of Administrative Services, Oregon State Treasury, and Department of Justice all concluded that a portion of the legacy debt previously allocated to OUS and the seven universities as state agencies was the responsibility of the State of Oregon to repay. Oregon Tech still has responsibility to repay XI-F(1) debt and portions of XI-Q debt identi ed as institution paid debt. Also see •Note 8. Long-Term LiabilitiesŽ.

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

10. Investment Activity

Investment Activity detail is as follows:

11. Operating Expenses by Natural Classi cation

e Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classi cation. e following displays operating expenses by natural classi cation.

12. Government Appropriations

Government appropriations comprised the following:

13. Employee Retirement Plans

Oregon Tech offers various retirement plans to qualified employees as described below.

A. Defined Benefit Retirement Plans

Disclosures for the years ended June 30, 2014 and June 30, 2015 which are required by GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*, GASB Statement 50, *Pension Disclosures*, and GASB Statement 68, *Accounting and Financial Reporting for Pensions*.

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

Benefit Changes after Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLA) [illegible]

actuarially determined, it was calculated as of the December 31, 2012 valuation date used to develop results for both the June 30, 2013 and June 30, 2014 Measurement Dates. In future measurement periods, there will be changes in proportionate shares from the beginning of the period to the end.

Deferred Items

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

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

Summary of Signi cant Accounting Policies for PERS

Reporting Entity PERS• nancial statements are prepared on the basis of a scal year ended June 30. e Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this duciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

Basis of Accountinge accrual basis of accounting .01g

experience for the four-year period ending on December 31, 2012.

Discount Rate

e discount rate used to measure the total pension liability was 7.75 percent for the Dened Benet Pension Plan. e projection of cash ows 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 duciary net position was projected to be available to make all projected future benet payments of current plan members. erefore, the long-term expected rate of return on pension plan investments for the Dened Benet Pension Plan was applied to all periods of projected benet payments to determine the total pension liability.

or before September 9, 1995. is plan was closed to new enrollment at the time the ORP started in 1996.

SUMMARY OF DEFINED CONTRIBUTION PENSION PAYMENTS

Oregon Tech total payroll for the year ended June 30, 2015 was $28,218, of which $11,255 was subject to retirement contributions. e following schedule lists payments made by Oregon Tech for the scal year:

Oregon Tech paid 100 percent of the ORP and TIAA-CREF employee contribution amounts on behalf of their employees during the scal year ended June 30, 2015.

Oregon Tech total payroll for the year ended June 30, 2014 was $26,261, of which $10,681 was subject to retirement contributions. e following schedule lists payments made by Oregon Tech for the scal year:

Oregon Tech paid 100 percent of the ORP and TIAA-CREF employee contribution amounts on behalf of their employees during the scal year ended June 30, 2014.

14. Other Postemployment Bene ts (OPEB)

During the year ended June 30, 2015, Oregon Tech was a part of OUS as a participant in the de ned bene t postemployment health care plan.

Plan Description: Oregon Tech participates in a de ned bene t postemployment healthcare plan, administered by the Public Employees Bene t Board (PEBB), which o ers medical, dental and vision bene ts to eligible retired state employees and their bene ciaries. e PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the bene t provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement bene t increases and decreases. PEBB does not issue a separate, publicly available nancial report.

e PEBB plan allows Oregon Tech employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. is plan creates an •implicit rate subsidyŽ because the healthcare insurance premiums paid by Oregon Tech for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

e PEBB plan is also o

Oregon Tech and recorded by the State of Oregon as the owner of the debt. State paid debt includes 100 percent of XI-G, XI-Q and Lottery bonds and a portion of COPs.

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

E ective July 1, 2015, Oregon Tech became an independent legal entity governed by the Oregon Tech Board of Trustees. See • Note 1.A. Reporting EntityŽ for additional information about this change in legal status.

NEW STATE SICK LEAVE LAW

SB 454, passed in the 2015 Oregon Legislation, will take e ect January 2016. e legislation mandates sick leave time for employers with more than 10 employees. e e ect of this legislation should be immaterial as the majority of employees are covered by current sick leave policies. Employee classes that will become eligible for sick leave under this regulation include temporary employees and student employees not working on a work-study grant. ey will receive 1.33 hours of leave for each 40 hours worked.

PENSION OBLIGATION LIABILITY

e Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of SB 861, signed into law in October 2013, that limited the post-retirement COLA on bene ts accrued prior to the signing of the law were unconstitutional. Bene ts could be modi ed 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 bene t recipients. PERS members who have accrued bene ts before and after the e ective dates of the 2013 legislation will have a blended COLA rate when they retire. is is a change in bene t terms sr7.48c71quincrhe Con

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

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