



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

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James E. B. Board Chair	Lake Oswego
James E. Board Member	Portland
James E. Board Member	Portland
James E. Board Member	Bend
James E. Board Member	Salem
James E. Board Member	Bend
James E. Board Member	Klamath Falls
James E. Board Member	Pendleton
James E. Board Member	Monmouth
James E. Board Member	Medford
James E. Board Member	Portland

## Oregon Tech Executive Officers

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Christopher G. Maples  
President

Brad Burda  
Provost and Vice President for Academic Affairs

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 Affairs 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 Affairs

Paul Rowan  
Associate Vice President for Information Technology and Chief Information Officer

Sandra Fox  
Board Secretary

































# Management's Discussion and Analysis

## For the Year Ended June 30, 2015 (dollars in thousands)

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in fiscal year 2014 and 2015 for undergraduate residents and Western Undergraduate Exchange Program (WUE) students, excluding differential tuition. An incremental differential tuition program was initiated during fiscal year 2014 for certain programs in the College of Engineering, Technology and Management. Fiscal years 2014 and 2015, differential tuition increased by 2 percent, respectively, in each of the fiscal years as part of phase-in period. Fiscal year 2016 will be the year of the College's differential tuition phase-in period.

The 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 operational flexibility, public universities are still required to participate in group health insurance, a select set of group retirement plans, and collective bargaining through July 1, 2019.

Total assets as of June 30, 2015, were \$1.717 billion, an increase of \$117.6 million from June 30, 2014. Total liabilities as of June 30, 2015, were \$1.117 billion, an increase of \$117.6 million from June 30, 2014. Total net assets as of June 30, 2015, were \$600 million, an increase of \$0 from June 30, 2014.







## Statement of Financial Position - Oregon Tech Foundation

As of June 30,	Component Unit	
	2015	2014
	(In thousands)	
<b>ASSETS</b>		
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
<b>Total Assets</b>	<b>\$ 24,378</b>	<b>\$ 24,498</b>
<b>LIABILITIES</b>		
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
<b>Total Liabilities</b>	<b>\$ 1,622</b>	<b>\$ 1,613</b>
<b>NET ASSETS</b>		
Unrestricted	\$ 8,894	\$ 9,389
Temporarily Restricted	5,286	5,203
Permanently Restricted	8,576	8,293
<b>Total Net Assets</b>	<b>\$ 22,756</b>	<b>\$ 22,885</b>

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















Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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# Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

## 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 applied.

## M. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives Oregon Tech the authority to use the interest, income, dividends, or principal of endowments. Current OUS Board policy is to annually distribute, for special 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 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 at 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 tuition and fees. Tuition and housing waivers, provided directly by Oregon Tech, amounted to \$3,074 and \$2,203 for the years ended June 30, 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 year ended June 30, 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 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

Accounting and Financial Reporting n.09 c 8.013, N

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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# Notes to the Financial Statements

## For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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### 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	







# Notes to the Financial Statements

## For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

mately responsible for OUS financial obligations. As of June 30, 2016, changes in Net Position due to the change in entity comprised the no amounts have been paid by the State of Oregon for OUS obligations following: 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 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 year 2013 and established a pathway for Oregon Tech to become an independent public body legally separate from the Oregon University System (OUS). The State Board of Higher Education unconditionally endorsed Oregon Tech to become a separate legal entity with an independent governing board effective 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. The change in entity also changed the allocation of bond debt held in the name of the State of Oregon. The 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 identified as institution paid debt. Also see Note 8. Long-Term Liabilities.

### 10. Investment Activity

Investment Activity detail is as follows:

### 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.



## 12. Government Appropriations

Government appropriations comprised the following:

age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employees 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 annual leave of absence from a PERS-covered job at the time of death.

## 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 are required by GASB Statement 27 Accounting for Pensions by State and Local Governmental Employers and 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.

### 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 adjustments due to changes in market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs) 2.4575% through 2017 and 2.0% thereafter.

## 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 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



## Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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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 the 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 year period. One year's amortization is being recognized in the employer's total pension expense for fiscal year 2015.
- € No changes in proportionate share.
- € A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.6 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.

### 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 accrual basis of accounting .01g





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For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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## Notes to the Financial Statements

### For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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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 actuarial net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.



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# Notes to the Financial Statements

## For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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or before September 9, 1995, its 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. The following schedule lists payments made by Oregon Tech for the year:

Oregon Tech paid 100 percent of the ORP and TIAA-CREF employee contribution amounts on behalf of their employees during the 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. The following schedule lists payments made by Oregon Tech for the year:

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

## 14. Other Postemployment Benefits (OPEB)

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

**Plan Description** Oregon Tech participates in a defined benefit postemployment healthcare plan, administered by the Employees Benefit Board (PEBB), which covers medical, dental and vision benefits for eligible retired state employees and their dependents. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows Oregon Tech employees retiring under PERS or OP-SRP 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 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.

The PEBB plan is also o





## Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

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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

Effective 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 effect in 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 include temporary employees and student employees not working on a work-study grant. They will receive 1.33 hours of leave for each 40 hours worked.

### PENSION OBLIGATION LIABILITY

The 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 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 for 7.48 percent of the Consumer









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

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