WESTERN OREGON UNIVERSITY

2015 ANNUAL FINANCIAL REPORT

Western Oregon
UNIVERSITY

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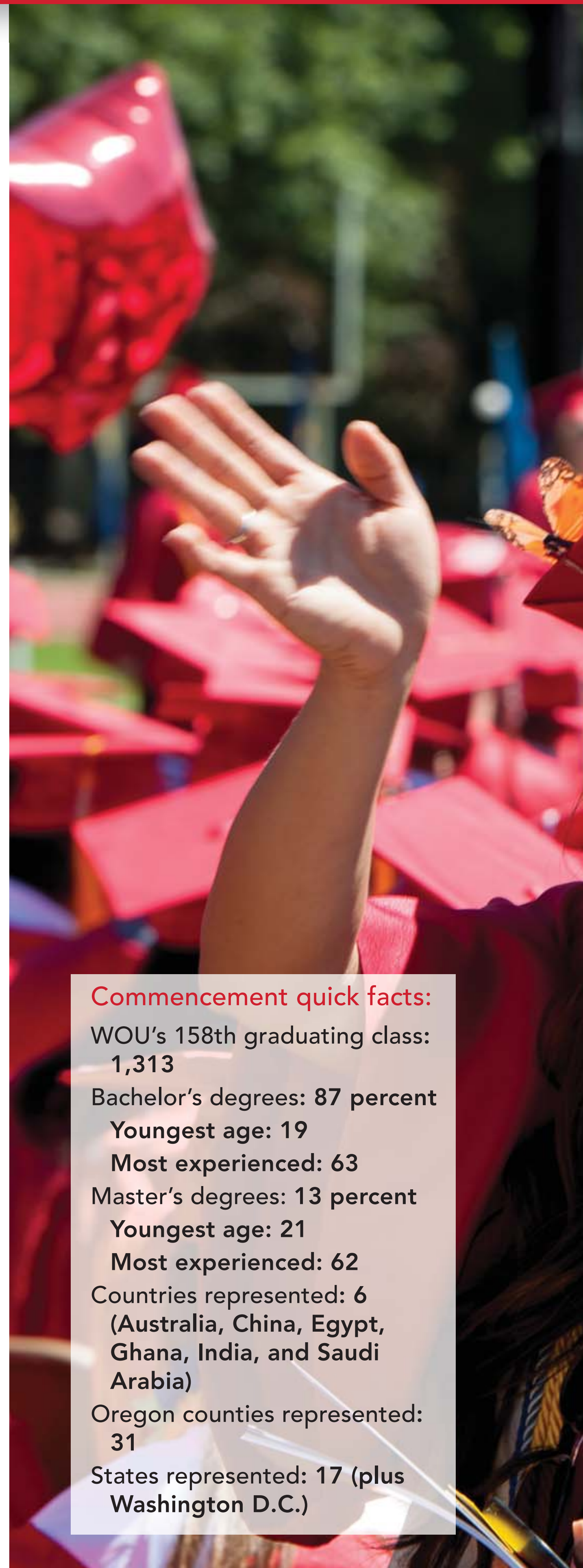

Commencement quick facts:

WOU's 158th graduating class: **1,313**

Bachelor's degrees: **87 percent**
- **Youngest age: 19**
- **Most experienced: 63**

Master's degrees: **13 percent**
- **Youngest age: 21**
- **Most experienced: 62**

Countries represented: **6 (Australia, China, Egypt, Ghana, India, and Saudi Arabia)**

Oregon counties represented: **31**

States represented: **17 (plus Washington D.C.)**

STATE BOARD OF HIGHER EDUCATION

David Yaden Chair	Lake Oswego
James Baumgartner	Portland
James L. Francesconi	Portland
Lisa J. Graham	Bend
Brittany Kenison	Salem
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Emily J. Plec	Monmouth
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WOU EXECUTIVE OFFICERS

Rex Fuller
President

Eric Yahnke
Vice President for Finance and Administration

Ryan Hagemann
Vice President and General Counsel

Stephen Scheck
Vice President for Academic Affairs

Gary Dukes
Vice President for Student Affairs

Tommy Love
Executive Director, Western Oregon University Foundation

Barbara Dearing
Executive Director, Athletics

2014-15 marked the final year before transition to governance independence from the former Oregon University System. As such, the financial report for fiscal year 2014-15 is a turning point in fiduciary oversight for Western Oregon University. The decision to approve independence for Western was based, in large measure, on the excellent fiscal condition of the university. I am pleased to report that in this final year of transition, Western Oregon University is fiscally sound and in excellent financial position.

The Western Oregon University community – faculty and staff alike – believes in the power of education to improve individuals' lives, families and communities.

We are as deeply committed to serving Oregon residents now as our founders were in 1856 when they established the first public university in the state.

This commitment is evident in our undergraduate and graduate programs that provide educational opportunities in specialties important to Oregon. Western continue its mission by enrolling Oregon residents who represent about 80% of our student body.

Western is known for its commitment to continuous improvement and student success. Evidence of this is the recent renewal of the TRiO grants for $1.6 million over the next five years. Additionally, the National Academic Advising Association (NACADA) recognized the work WOU advisors in 2015. Western has been the recipient of many awards over the past decade.

As we look ahead, Western will need to continue its excellent record of garnering outside funds through contracts and grants. The Research Institute will become the focal point for this renewed effort. Historically, Western brings a larger share of its total revenue from grants and contract than its peers.

As we enter the 2015-17 biennium, I am pleased to report that the Oregon legislature increased operational allocations to the seven public universities, reversing the earlier trend of decreased funding. For Western, the state allocation, excluding shared services expenses, increase by about 20 percent. The majority of this increase will be used to enhance student success and to provide salary increases for faculty and staff. This was the largest percentage increase among the seven public universities.

A portion of the funding allocated to the university was designated by the legislature toward improving student success and Western directed some funding to add SEP staff that will enhance and improve outcomes for Western's students.

Additionally, we used student success funds to improve support for academic intervention and early warning through the Academic Advising and Learning Center and the use of the Wolf Connection System. Western added support for returning veterans in a joint project between academic and student affairs, designed to recruit and retain more veterans. Finally, we funded a new position, the director of institutional research.

With increased funding for student success Western allocated nearly $1 million in additional monies to offset the cost of attendance for Oregon residents. WOU targeted this aid to assist families and students who have exhausted other forms of financial aid. It is vital that Western monitor its tuition to ensure access and affordability. Western must be seen as an affordable option for Oregonians.

Additionally, Western will be able to invest in selected initiatives that further our goals. These new base commitments will be essential to our effort to differentiate ourselves from the other public universities.

On the capital budget side, I am pleased that the legislature funded the renovation of the natural science building. This $6 million project will improve our labs and provide improved student learning space and faculty offices and research space to engage our students in undergraduate research projects.

The new Richard Woodcock Education Center, is on track to open fall 2016. This facility will bring nearly 60,000 square feet of office, classroom, and support space to campus. The new space will help the College of Education continue to graduate teachers for Oregon schools.

Western has other notable accomplishments this last year. Faculty and staff accomplishments go beyond the high-mentoring engagement with students. They also provide service to the local and state communities through their involvement on various boards and directing students in service learning projects. Moreover, our faculty are professionally engaged through the publication of scholarly articles, books and creative works and involvement in professional organizations.

Western has seen a record number of graduates, but overall enrollment remains flat. Growth in new freshmen and graduate students is not large enough to offset the decline in returning undergraduate. Going forward, Western must recommit itself to improved retention to ensure that our students complete their undergraduate degree. With rising debt levels of college students nationally, Western Oregon University must be seen as the university where students graduate with minimum debt and have opportunities for continued education in graduate school or employment in their chosen field.

Our responsive approach to academic programming, commitment to intellectual engagement and student success coupled with prudent fiscal management will ensure that Western successfully navigates the unknown future.

With great pride in, and thanks to, the many individuals who have contributed to Western's success, and the success of our students,

Rex Fuller, President

During the past fiscal year, the WOU Foundation benefited from the continual support of generous benefactors who share our passion for education. We are thankful for the thousands of alumni, parents, friends, and others who support our mission to "strengthen relationships and provide resources in order to serve and support the mission and vision of Western Oregon University. Highlights from the year include:

- Ground breaking for the Richard Woodcock Education Center. Named in honor of former WOU professor and renowned educator Dr. Richard Woodcock, the new facility of over 55,000 square feet will be home to the university's College of Education.
- Total contributions received increased by 35 percent with the average gift increasing by more than 29 percent.
- A gift of more than $50,000 from Don and Verna Duncan to assist students by covering unmet expenses associated with their program studies.
- Renewed support of $50,000 from Maps Community Foundation providing scholarship support to Peer Mentors, enhancing educational opportunities, and promoting mental, physical, and financial health to students.
- A gift of $125,000 from the Fred W. Fields Fund of the Oregon Community Foundation to the Rainbow Dance Program to develop a new dance work utilizing motion-tracking technology to be performed at five rural Oregon venues.
- The annual Wolves Athletic Auction generated more than $60,000 in scholarship support for student-athletes.
- As part of the annual Competitive Grants Program through the WOU Foundation, the following programs received financial assistance: Anthropology Department, International Club, the Second Annual Early Childhood Inclusion Summer Institute, Special Education, Mathematics, Exercise Science, Health and Physical Education, Psychology, and History.

Western Oregon University's director of sports performance named Master Strength & Conditioning Coach

At the beginning of May, Western Oregon University's Director of Sports Performance Cori Metzgar was named a Master Strength and Conditioning Coach by the Collegiate Strength and Conditioning Coaches association (CSCCa).

Metzgar was presented with the blue MSCC jacket by her mentor Master Strength and Conditioning Coach Anthony Glass from Ohio State University at the Gaylord Opryland Hotel and Convention Center in Nashville, Tennessee.

"This is an incredible honor for Cori," said CSCCa Executive Director, Dr. Chuck Stiggins. "Being named a Master Strength and Conditioning Coach signifies a commitment to the student athlete, the WOU athletic program, and the strength and conditioning profession. We are honored to have Coach Metzgar as a member of our association and to have her join the ranks of the Master Strength and Conditioning Coaches. She is truly a model of an outstanding strength and conditioning professional."

In order to receive this certification and corresponding title of distinction, an individual must hold a bachelor's degree, be a currently practicing, full-time strength & conditioning coach on the collegiate or professional level, hold current membership in the CSCCa, hold the CSCCa Certification – SCCC (Strength & Conditioning Coach Certified), and have a minimum of 12 years of experience as a full-time strength and conditioning coach on the collegiate and/or professional level.

With this honor, Metzgar becomes one of 160 Master Strength & Conditioning Coaches in the nation and joins an elite group of females to hold the certification. "I believe there are less than 15 females in the nation that are master strength coaches," said Metzgar. "I know that there are only three females in the NCAA that are directly responsible for football and I am proud to be one of them."

WOU advisers receive awards for eighth consecutive year

The Global Community for Academic Advising (NACADA) promotes and supports quality academic advising in institutions of higher education to enhance the educational development of students. NACADA provides a forum for discussion, debate, and the exchange of ideas pertaining to academic advising through numerous activities and publications. WOU has been the recipient of numerous NACADA Advising Awards dating back to 2008.

The award winners for 2015 were:
Jesse Poole, Academic Advising and Learning Center (left): Outstanding Primary Role New Advisor, Award Winner: Sheree Solario, Student Enrichment Program (lower left): 2015 Outstanding Primary Role Advisor, Certificate of Merit: Arlene Courtney, Department of Chemistry: Outstanding Faculty Academic Advisor, Certificate of Merit (below).

The Research Institute awarded $1 million to train elementary math educational leaders

The Research Institute (TRI) at Western Oregon University (WOU) has been awarded a $1 million grant by the Oregon Department of Education to recruit and educate 60 teachers to become Elementary Mathematics Instructional Leaders, which will help meet Oregon's 40-40-20 goal and the national need for STEM professionals. Project DEMILO (Developing Elementary Mathematics Instructional Leaders in Oregon) is a collaboration between WOU, the Willamette Education Service District and the Oregon Coast STEM Hub to address the need for increased mathematics content knowledge for elementary school teachers.

WOU is the first university in Oregon to offer an Oregon Teacher Standards and Practices Commission (TSPC) approved program leading to an Elementary Mathematics Instructional Leader specialization. Over the course of three years, three cohorts of 20 teachers will complete the EMIL specialization and employ their instructional leadership to help elementary students succeed and to meet Oregon's 40-40-20 goal. "For 40 percent of Oregon's students to have some post-secondary education and another 40 percent to attain a bachelor's degree, they will need to have a strong conceptual understanding of math," Beaver said. "The U.S. is predicted to need an additional 1 million STEM professionals by 2020. This project helps us contribute to closing that gap."

Ford Family Foundation Grant to Support Teen Parents

TRI Child Development Center (TRI-CDC) was awarded a $50,000 grant by the Ford Family Foundation to assist in creating an infant/toddler child development center in collaboration with the Central School District (CSD), Polk County Family & Community Outreach, and Mid-Willamette Valley Community Action Agency Early Head Start (EHS). The grant award will support the renovation of a building owned by the Central School District to create a model early learning center primarily for teen parents and their children ages 6 weeks to three years. TRI-CDC will provide expert early childhood professionals to ensure the development of an inclusive, high quality, nurturing environment for young children.

The center will be operated by TRI-CDC as a placement site for Central and WOU teen parents, children enrolled in Early Head Start, and families from the surrounding community. The site will be designed as a model demonstration site and serve as a practicum placement for CSD and WOU students to receive practicum hours and course credits. Students from CSD and WOU as well as teen parents will be able to use the proposed observation room to observe and practice appropriate guidance techniques, plan and implement curriculum and observe and assess children's development.

Health and Wellness Center renamed after Senate President Peter Courtney

WOU has renamed the Health and Wellness Center after state Senate President Peter Courtney, who worked at the university for 30 years. The naming ceremony took place just before the university's commencement ceremony, at which Courtney was the keynote speaker. Other speakers included Gov. Kate Brown, former Gov. Ted Kulongoski, WOU President Mark Weiss.

Courtney, who in November was named presiding officer of the Oregon Senate for a record seventh term, joined Western Oregon University in 1984 as assistant to the president. He served in that position under six presidents until his retirement in December 2014. He held other roles, including speech communication instructor and Commencement Committee chair.

"Peter immediately advocated the need for new facilities that would serve the health of students' minds and bodies. His retirement from Western gives us the opportunity to honor him in a way that I believe is meaningful to his dedication to Western Oregon University and all Oregonians," Weiss said.

Governor Kate Brown, Mrs. Courtney, Peter Courtney and former WOU President Mark Weiss enjoy one of the speaker's presentation at the naming event.

A year after their legislative appointment, the Western Oregon University Board of Trustees assumed authority on July 1, 2015.

The 15-member group represents education, civic and business leadership, campus representatives, and alumni. They have spent the year preparing for their leadership roles through orientation to campus, adoption of board by-laws and other core policies, and training on best practices for university board governance.

Jaime Arredondo	Secretary-Treasurer Pineros Campesinos Unidos del Noroeste (Oregon's Farmworker Union)
James M. Baumgartner '89	Attorney & Partner, Black Helterline LLP
Rex Fuller *(ex officio)*	President Western Oregon University
Marshall Guthrie	Director WOU Student Enrichment Program
LTG Daniel R. Hokanson	Deputy Commander U.S. Northern Command
Ivan Hurtado '06	Underwriter Farmers Insurance
Gloria Ingle	Retired K-12 Educator Councilmember for Confederated Tribes of Siletz
Cec Koontz	Business Manager Central School District
Gov. Theodore "Ted" R. Kulongoski	Oregon Governor 2003-2011
Sofia Llamas	WOU Student
John P. Minahan	Former President Western Oregon University
Jeanette Mladenovic	Executive Vice President and Provost Oregon Health & Science University
Cornelia Paraskevas	WOU Professor of English
Lane Shetterly '78	Attorney & Partner Shetterly Irick and Ozias
Louis C. Taylor	Senior Financial Officer Taylor Wealth Management

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 Western Oregon University (the University), an institution of higher education of the Oregon University System (the System), as of and for the years ended June 30, 2015 and 2014, 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 Western Oregon University Development 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, and 2014, 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 Pensions — an amendment of GASB Statement No. 27* 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). Fiscal Year 2014 was not restated for the change in accounting principle due to the fact that information was not available to the University to restate net position as of July 1, 2013. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis as listed in the table of contents and 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.

Other Information

The Message from the President and Financial Ratios as listed in the table of contents have 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 them.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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 11, 2015

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Western Oregon University (WOU) for the years ended June 30, 2015, 2014 and 2013. WOU's primary campus is in Monmouth.

Annual Full Time Equivalent (FTE) Student Enrollment Summary:

2015	2014	2013	2012	2011
4,812	5,017	5,183	5,303	5,263

Understanding the Financial Statements

The MD&A focuses on WOU as a whole and is intended to foster a greater understanding of WOU's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements which have the following six components.

Independent Auditor's Report presents an unmodified opinion rendered by an independent certified public accounting firm, CliftonLarsonAllen LLP, on the fairness in presentation (in all material respects) of the financial statements.

Statement of Net Position (SNP) presents a snapshot of WOU assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much WOU owes to vendors and bond holders; and net position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents WOU revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports the WOU operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about WOU's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, and assists in determining whether WOU has the ability to generate future net cash flows to meet its obligations as they come due.

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

The Component Unit, comprised of a supporting foundation, is discretely presented in the WOU financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of WOU's financial activities based on currently known facts, decisions, and conditions. The MD&A discusses the current and prior year results in comparison to the current and two previous fiscal years. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Statement of Net Position

The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, and is an indicator of WOU's current financial condition. Changes in net position that occur over time indicate improvement or deterioration in WOU's financial condition. The following summarizes WOU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

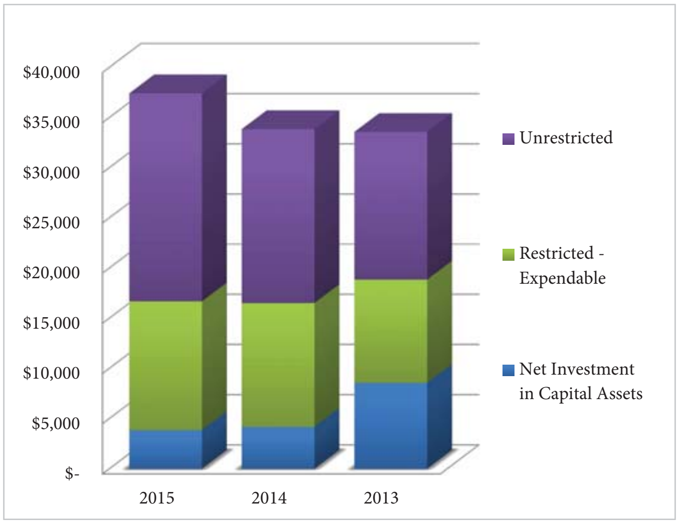
Condensed Statement of Net Position (in 000's)

As of June 30,	**2015**	2014	2013
Current Assets	**$ 24,713**	$ 33,568	$ 23,000
Noncurrent Assets	**62,544**	18,460	23,966
Capital Assets, Net	**101,245**	102,782	106,641
Total Assets	**$ 188,502**	$ 154,810	$ 153,607
Deferred Outflows of Resources	**$ 4,800**	$ 1,788	$ 1,746
Current Liabilities	**$ 24,008**	$ 18,307	$ 13,188
Noncurrent Liabilities	**122,337**	104,450	108,603
Total Liabilities	**$ 146,345**	$ 122,757	$ 121,791
Deferred Inflows of Resources	**$ 9,556**	$ -	$ -
Net Investment in Capital Assets	**$ 3,845**	$ 4,167	$ 8,544
Restricted - Nonexpendable	-	2	2
Restricted - Expendable	**12,823**	12,342	10,298
Unrestricted	**20,733**	17,330	14,718
Total Net Position	**$ 37,401**	$ 33,841	$ 33,562

Total Net Position

Changes to Total Assets reflected a larger increase than changes to Total Liabilities which caused Total Net Position to increase by $3,560 thousand or 11% during 2015 as compared to an increase of $279 thousand or 1% in 2014.

As illustrated by the following graph, the make-up of net position changed between 2015, 2014 and 2013 (in 000's).



<u>Comparison of fiscal year 2015 to fiscal year 2014</u>

Net Investment in Capital Assets decreased by $322 thousand.

- Capital asset increases of $3,184 thousand were offset by a $4,721 thousand increase to accumulated depreciation and a $1,859 thousand increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Position increased by $481 thousand.

- Net position relating to funds reserved for debt service increased by $1,639 thousand.
- Net position relating to the funding of capital projects decreased by $1,631 thousand primarily as a result of an increase in institutionally funded construction projects.
- Net position related to gifts, grants and contracts increased by $164 thousand due to $190 thousand increase in grants, $51 thousand increase in gifts and a $77 thousand decrease in endowment reserves that were transferred to the WOU foundation.
- Net position related to student loans increased by $309 thousand due to increased payments on Perkins loan funds.

Unrestricted Net Position increased by $3,403 thousand.

- Increases from operations added by $1,269 thousand.
- Changes associated with year-end liability accruals for PERS State and Local Rate Pool (SLGRP), Other Post Employment Benefits (OPEB) and the implementation of GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* decreased Unrestricted Net Position by $2,669 thousand.
- Unrestricted assets transferred to WOU as a result of the change in entity added $4,803 thousand. See Note 9 Change in Entity.

<u>Comparison of fiscal year 2014 to fiscal year 2013</u>

Net Investment in Capital Assets decreased by $4,377 thousand.

- Capital asset increases of $534 thousand were offset by a $4,393 thousand increase to accumulated depreciation and a $518 thousand decrease to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Position increased by $2,044 thousand.

- Net position relating to funds reserved for debt service increased by $852 thousand due to increased debt service.
- Net position reserved for capital construction projects increased by $1,086 thousand as the result of the start of new construction projects.
- Net position restricted for gifts, grants and contracts increased by $144 thousand.
- Net position restricted for student loans decreased by $38 million.

Unrestricted Net Position increased by $2,612 thousand resulting mainly from unrestricted revenues exceeding unrestricted expenses.

Total Assets and Liabilities

Total Assets increased by $33,692 thousand, or 22%, and Total Liabilities increased by $23,588 thousand, or 19% during the year ended 2015. Total Assets increased by $1,203 thousand, or 1%, and Total Liabilities increased by $966 thousand, or 1% during the year ended 2014. Securities lending is excluded from the following discussion and analysis because the net activity is zero (equal amounts of assets and liabilities) and its inclusion can distort the analysis of the business activities of WOU. See Note 2 Cash and Investments for additional information relating to securities lending. Absent the securities lending balances, 2015 Total Assets increased by $33,362 thousand or 22% and Total Liabilities increased by $23,248 thousand or 19% and 2014 Total Assets increased by $1,002 thousand or less than 1% and Total Liabilities increased by $765 thousand or less than 1%. Current assets exceed current obligations.

Comparison of fiscal year 2015 to fiscal year 2014

Current Assets decreased by $9,195 thousand, or 29%.

- Current cash and cash equivalents decreased by $9,047 thousand. During 2014, more investments were converted to cash and held as cash at year end due to governance changes within the Oregon University System (OUS). During 2015, cash was converted back to investments and held as investments at year end.
- Accounts Receivable decreased by $544 thousand due to an increase in total Accounts Receivable of $1,394 thousand and an increase in the Allowance for Doubtful Accounts of $2,238 thousand.

Noncurrent Assets increased by $44,084 thousand, or 239%.

- Year-end cash balances in capital construction funds, internal agency funds and restricted for debt service increased by $20,875 thousand mainly due to the receipt of bond proceeds during 2015 primarily for the Woodcock Education Center.
- Investments increased by $18,151 thousand. Cash that was held at the end of fiscal year 2014 was converted back to investments during 2015. In addition, increased cash balances during 2015 were invested.
- WOU recorded a $4,952 thousand Net Pension Asset as a result of the implementation of GASB Statement Nos. 68 and 71, as of June 30, 2015. See Note 13 Employee Retirement Plans for additional information on this change.

Capital Assets, Net decreased by $1,537 thousand, or 1%.

- Capitalized acquisitions net of disposals and adjustments included $2,817 thousand in real property and $367 thousand in personal property.
- Accumulated depreciation increased by $5,778 thousand. See Capital Assets in this MD&A for additional information.

Deferred Outflows of Resources increased by $3,012 thousand or 168%.

- Deferred outflows related to deferred gain/loss on long-term debt bond refunding increased by $1,077 thousand.
- WOU recorded $1,935 thousand in deferred outflows as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 13 for additional information on this change.

Current Liabilities increased by $5,361 thousand, or 33%.

- The current portion of long-term liabilities increased by $2,183 thousand due to an increase in new debt for construction projects.
- Accounts payable and Accrued Liabilities increased by $1,529 thousand due to increases in Services and Supplies of $1,330 thousand, Interest Payable of $126 thousand, Salaries and Wages Payable of $73 thousand, other expense of $32 thousand, and a decrease in Retainage Payable of $32 thousand.
- Deposits increased by $1,677 thousand due to an increase in the amounts held in internal agency funds at year end for payroll vendor payments.
- Unearned revenue decreased by $28 thousand.

Noncurrent Liabilities increased by $17,887 thousand, or 17%, primarily due to new debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

Deferred Inflows of Resources increased by $9,556 thousand as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. Deferred inflows represents WOU's proportionate share of the difference between the projected and actual earnings on the pension plan investments. See Note 13 for additional information on this change.

Comparison of fiscal year 2014 to fiscal year 2013

Current Assets increased by $10,367 thousand, or 49%.

- Cash and cash equivalents increased by $8,759 thousand due to a larger amount of cash held as investments in 2013 compared to 2014, a decrease in cash held in internal agency funds for payroll liabilities due to timing of payments to OUS, offset by an increase in cash in budget operations, debt service funds and auxiliary operations
- Accounts receivable increased by $942 thousand. All categories of accounts receivable increased, with the biggest increase occurring in student tuition and fees receivable. The allowance for doubtful accounts offset to the receivables also increased. See Note 3 Accounts Receivable for more details on this variance.
- Current notes receivable increased by $611 thousand. See Note 4 Notes Receivable for additional details on this variance.

Noncurrent Assets decreased by $5,506 million, or 23%.

- Year-end cash balances in capital construction funds increased by $618 thousand.
- Investments decreased by $5,380 thousand due to a change in the OUS investment strategy resulting from changes in university governance effective July 1, 2014.

Capital Assets, Net decreased by $3,859 thousand, or 4%.

- Capitalized acquisitions net of disposals and adjustments included net additions of $1,086 thousand in real property and net disposals of $552 thousand in personal property.
- Accumulated depreciation increased by $4,393 thousand. See Capital Assets in this MD&A for additional information.

Current Liabilities increased by $4,918 thousand, or 44%.

- Accounts payable and accrued liabilities increased by $522 thousand. Accrued payables for services and supplies and contract retainage decreased by a combined $983 thousand. Year-end accrued interest payable of $1,348 thousand related to debt service was recorded by WOU for the first time as a result of changes in the handling of debt service payments as a result of university governance changes effective July 1, 2014. Year-end payables related to salaries and wages increased by $157 thousand.
- The current portion of long-term liabilities increased by $4,078 thousand due to increased borrowing in prior years.
- Deposits increased by $84 thousand.
- Unearned revenue increased by $234 thousand. Prepaid tuition and fees decreased by $140 thousand; auxiliary operations increased by $18 thousand; grants increased by $202 thousand; and other unearned revenue increased of $154 thousand.

Noncurrent Liabilities decreased by $4,153 thousand, or 4%. No new borrowing were undertaken during fiscal year 2014.

Statement of Revenues, Expenses and Changes in Net Position (SRE)

Due to the classification of certain revenues as nonoperating revenue, WOU shows a loss from operations. State General Fund Appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under GASB Statement No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of WOU:

Condensed Statement of Revenues, Expenses and Changes in Net Position (in 000's)

For the Year Ended June 30,	**2015**	2014	2013
Operating Revenues	**$ 65,219**	$ 64,185	$ 61,483
Operating Expenses	**91,333**	95,179	92,358
Operating Loss	**(26,114)**	(30,994)	(30,875)
Nonoperating Revenues, Net of Expenses	**29,340**	27,212	26,067
Other Revenues	**3,565**	4,061	4,515
Increase in Net Position Prior to Special/Extraordinary Items	**6,791**	279	(293)
Special and Extraordinary Item	**5,810**	-	-
Increase in Net Position After Special/Extraordinary Items	**12,601**	279	(293)
Net Position, Beginning of Year	**33,841**	33,562	33,855
Change in Accounting Principle	**(9,041)**	-	-
Net Position, Beginning of Year, Restated	**24,800**	33,562	33,855
Net Position, End of Year	**$ 37,401**	$ 33,841	$ 33,562

Net Position increased by $3,215 thousand or 10% in 2015 compared to an increase of $279 thousand in 2014.

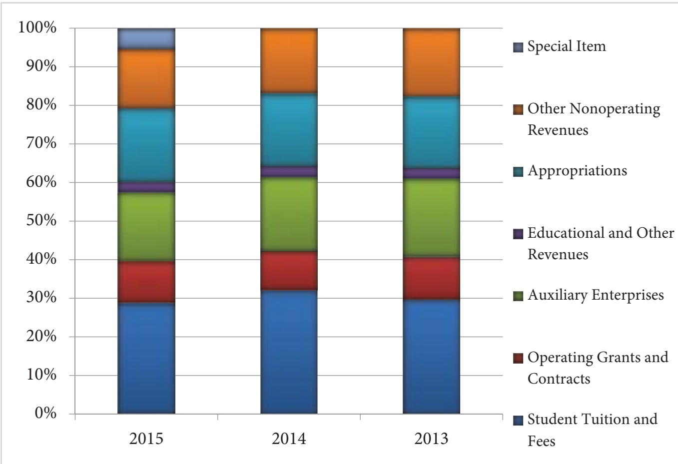
Revenues

Total revenues increased by $8,201 million, or 8%, in 2015 over 2014.

Total Operating and Nonoperating Revenues (in 000's)

For the Year Ended June 30,	**2015**	2014	2013
Student Tuition and Fees	**$ 31,237**	$ 32,062	$ 28,684
Grants and Contracts	**11,789**	10,121	10,628
Auxiliary Enterprises	**19,318**	19,262	19,572
Educational and Other	**2,875**	2,740	2,599
Total Operating Revenues	**65,219**	64,185	61,483
Appropriations	**20,818**	18,954	17,979
Financial Aid Grants	**14,421**	14,898	15,511
Investment Activity	**557**	521	480
Capital Grants and Gifts	**500**	622	1,129
Other Nonoperating Items	**1,186**	785	(92)
Total Nonoperating Revenues	**37,482**	35,780	35,007
Special/Extraordinary Items	**5,810**	-	-
Total Revenues	**$ 108,511**	$ 99,965	$ 96,490

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased by $1,034 thousand in 2015, or 2% over 2014, to $65,219 million. This increase is due to increased grants and contracts, auxiliary revenues and educational and other revenues, offset by decreased student tuition and fee revenue. Operating revenues increased by $2,702 thousand in 2014, or 4% over 2013. This increases is primarily due to increased student tuition and fees and state and local grants revenues.

<u>Comparison of fiscal year 2015 to fiscal year 2014</u>

Student Tuition and Fees decreased by $825 thousand, or 3%.

- Higher tuition and fee rates combined with decreased enrollment to account for $69 thousand of the decrease.
- Fee remissions and scholarship allowances reduced tuition and fees by $110 thousand more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $646 thousand.

Federal, State and Nongovernmental Grants and Contracts increased by $1,668 thousand, or 16%.

- Federal grant and contract revenues increased by $1,041 thousand due to increases in federal research grants of $1,202 thousand being offset by decreases in non-governmental grants of $161.
- State grant activity increased by $652 thousand due to increases in state grants of $426 thousand and local grants of $226 thousand.
- Nongovernmental grant activity decreased by $25 thousand.

Auxiliary Enterprises revenues increased by $56 thousand, or less than 1%.

- Student Health revenues increased by $164 thousand due to increases in student health fees.
- Housing and Dining revenues decreased by $48 thousand with increased revenues of $130 thousand offset by increased scholarship and bad debt allowances of $178 thousand.
- Athletics revenues increased by $60 thousand primarily due to increases in athletics guarantees, post season revenue and other event revenue.
- Parking revenues decreased by $26 thousand primarily due to due a decrease in parking fines
- Bookstore revenues decreased by $120 thousand with decreases in new book sales slightly offset by increases in used book sales.
- Student centers and activities revenues decreased by $4 thousand.
- Other auxiliary revenues increased by $30 thousand due to increased student fee and sales revenues.

<u>Comparison of fiscal year 2014 to fiscal year 2013</u>

Student Tuition and Fees increased by $3,378 million or 12%.

- Tuition and fee revenue increased by $1,576 thousand resulting from increased rates offset by decreased enrollment.
- Fee remissions increased by $271 thousand while scholarship and bad debt allowances decreased a combined $2,072 thousand.

Federal, State and Nongovernmental Grants and Contracts decreased by $507 thousand or 5%.

- Federal grant and contract revenues decreased by $856 thousand primarily due to a decrease in federal direct grants and cooperative agreements, partially offset by an increase in subdirect grants.
- State and Local grant activity increased by $362 thousand due primarily to an increase in state direct contracts, partially offset by decreases in state direct grants and local government grants and contracts.
- Nongovernmental grant activity decreased by $13 thousand due to decreases in private and commercial business grant and contract activity partially offset by an increase in foundation grants.

Auxiliary Enterprise revenues decreased by $310 thousand or 2%.

- Housing and Dining revenues decreased by $363 thousand. Sales and Services revenue, including fee remissions, decreased by $866 thousand due to a decrease in occupancy. Revenue offsets for bad debt and scholarship allowances decreased by $503 thousand.
- Bookstore revenues decreased bu $235 thousand due to a decrease in both new and used textbook sales of $336 thousand offset by increases in textbook rental of $83 thousand other sales of $18 thousand.
- Student fee revenue for health services increased by $173 thousand due to increased rates.
- Athletic revenues increased by $81 thousand primarily due to increases in athletic guarantees and other event income.
- Other auxiliary revenues decreased by $34 thousand.

Nonoperating Revenues

The increase in Nonoperating Revenues of $1,702 thousand during 2015 resulted from increases in appropriations, investment activity and other nonoperating items, offset by decreases in financial aid grants and capital grants and gifts. The increase in Nonoperating Revenues of $773 thousand during 2014 resulted from increases appropriations and other nonoperating items, offset by a decrease in financial aid grants and capital gifts and grants.

Comparison of fiscal year 2015 to fiscal year 2014

Government Appropriations increased by $1,519 million, or 8%.

- State appropriations for WOU operations increased by $2,349 thousand or 15% due to increased funding received from the State of Oregon.
- Debt service appropriations decreased by $485 thousand or 14% due to a decrease in the Lottery debt service received from the State of Oregon. Lottery debt service appropriations will no longer be received in 2016 and the associated state paid debt will be removed from WOU as a liability in fiscal year 2016. See Note 18 Subsequent Events for further information on the removal of state paid debt.
- See Note 12 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $477 or 3%.

Investment Activity revenues increased by $36 thousand or 7%. See Note 10 Investment Activity for additional information.

Capital Grants and Gifts decreased by $122 thousand or 20%.

Other Nonoperating Items increased by $401 thousand or 51%.

- Gain on sale of assets increased by $140 thousand.
- Gifts increased by $131 thousand due to an increase in campus affiliated foundation gifts.
- Other gifts were offset by an increase in expenses for contributions to debt service sinking funds that were unique to 2015 and prior year adjustments to fixed assets.
- Nonoperating transfers from the OUS Chancellor's Office increased by $111.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased by $975 thousand, or 5%.

- State appropriations for WOU operations increased by $1,310 thousand or 9% due to higher funding received from the State of Oregon.
- Appropriations for debt service decreased by $335 thousand or 9% due to lower levels of state funded debt service in 2014.
- See Note 12 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $613 thousand due to decreased federal financial aid grants.

Investment Activity revenues increased by $41 thousand due to an increase in interest earnings of $34 thousand, increase in fair value of investments of $5 thousand and increase in royalty income of $2 thousand.

Capital Grants and Gifts decreased by $507 thousand due to completion of the DeVolder Family Science Center project, partially funded by private gifts, in 2013.

Other Nonoperating Items increased by $877 thousand or 953%.

- Gain (loss) on sale of assets decreased by $14 thousand.
- Gift revenues increased by $453 thousand.
- Prior year adjustments to fixed assets and other expenses increased by $50 thousand.
- Nonoperating transfers from the Chancellor's Office increased by $388 thousand.

Special/Extraordinary Items

Special/Extraordinary Items increased by $5,810 thousand due to WOU recording a one-time special item of $5,810 thousand in cash and assets transferred to WOU as a result of the closing of the OUS Chancellor's Office and the change in entity. See Note 9 Change in Entity for additional information.

Expenses

Operating Expenses

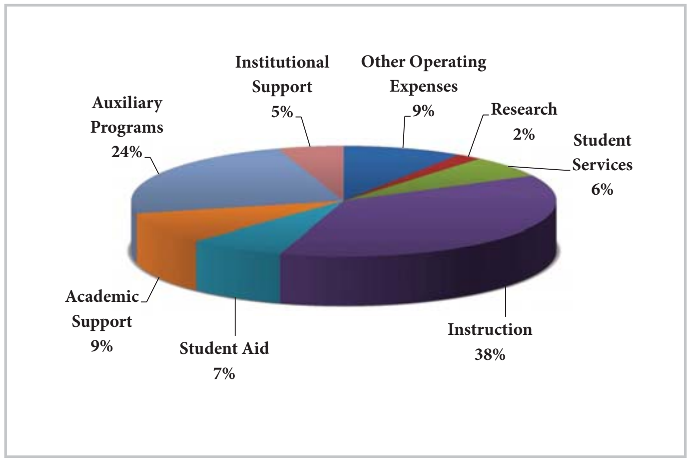
Operating expenses decreased by $3,846 thousand in 2015, or 4%, compared to 2014, to $91,333 thousand. The 2015 decrease resulted from decreased expenses in all categories except research and academic support. The first year implementation of GASB Statement Nos. 68 and 71 for fiscal year 2015, resulted in a decrease of $6,564 thousand in total operating expenses. The greatest impact of this change was to functional classifications with higher levels of compensation and benefit expenses. Operating expenses increased by $2,821 thousand in 2014, or 3%, over 2013, to $95,179 thousand. The 2014 increase resulted from higher expenses in many categories, with the biggest overall increases in Instruction and Other Operating Expense programs, offset by decreased in Auxiliary Programs and Research.

The following summarizes operating expenses by functional classification:

Operating Expense by Function (in 000's)

For the Year Ended June 30,	2015	2014	2013
Instruction	$ **34,191**	$ 35,462	$ 33,593
Auxiliary Programs	**21,637**	22,333	22,613
Research	**1,766**	1,621	2,547
Institutional Support	**4,567**	4,995	4,562
Academic Support	**8,350**	7,545	7,215
Student Services	**5,798**	6,233	6,068
Student Aid	**6,689**	7,655	7,720
Other Operating Expenses	**8,335**	9,335	8,040
Total Operating Expenses	$ **91,333**	$ 95,179	$ 92,358

2015 Operating Expense by Function



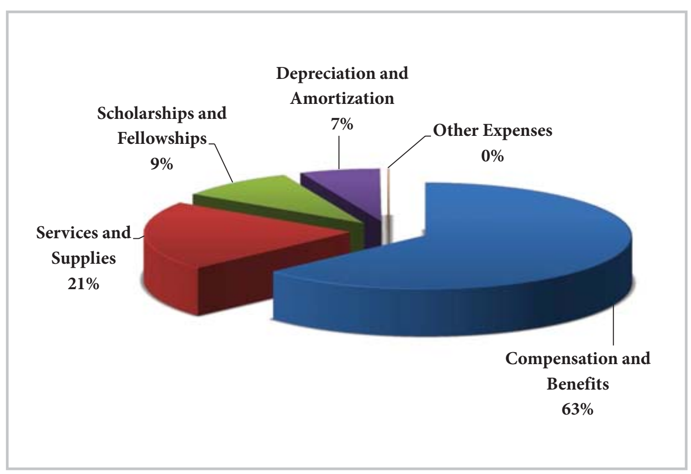
Due to the way in which expenses are incurred by WOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification (in 000's)

For the Year Ended June 30,	2015	2014	2013
Compensation and Benefits	$ **57,814**	$ 61,862	$ 59,769
Services and Supplies	**19,437**	18,085	18,528
Scholarships and Fellowships	**8,407**	8,707	8,894
Depreciation and Amortization	**5,778**	5,755	5,375
Other Expenses	**(103)**	770	(208)
Total Operating Expenses	$ **91,333**	$ 95,179	$ 92,358

2015 Operating Expenses by Natural Classification



Comparison of fiscal year 2015 to fiscal year 2014

Compensation and Benefits costs decreased by $4,048 thousand, or 7%, in 2015 compared to 2014 primarily due to:

- Salary and wage costs increased by $1,812 thousand primarily due to wage increases.
- Retirement and health insurance costs increased by $602 thousand.
- Other Payroll Expenses increased an additional $172 thousand.
- Other costs associated with compensation and benefits decreased by $263 thousand.
- The first year implementation of GASB Statement Nos. 68 and 71 resulted in a net decrease to compensation and benefits of $6,564 thousand. The change from a net pension liability on July 1, 2014 to a net pension asset as of June 30, 2015 caused pension expense to decrease by approximately $16,101 thousand. That decrease was offset by the recording of deferred inflows due to the difference between actual and expected investment earnings on retirement balances. This amount is offset against pension expense and will be amortized over the next 5.5 years. See Note 1 Organization and Summary of Significant Accounting Policies and Note 13 Employee Retirement Plans for additional information on this variance.

Services and Supplies expense increased by $1,352 thousand, or 7%, during 2015. This increase was seen across many categories including sub grants and contracts, fees and services, maintenance and repairs, and travel. This was partially offset by lower other services and supplies and general commodities for resale.

Scholarships and Fellowships expenses decreased by $300 thousand, or 4%. This net decrease corresponds to the revenue increases in Oregon Scholarship Assistance Commission, federal and foundation student financial aid, offset by a decrease in state, federal Pell grants, and institutional and private student aid. This expense category does not include Fee Remissions, which are reported as reductions to Student Tuition and Fee Revenues.

Depreciation and Amortization expense increased by $23 thousand primarily due to recently constructed or refurbished buildings being placed in service during 2015.

Nonoperating Expenses

Interest Expense increased by $70 thousand, or 2%.

Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased by $2,093 thousand, or 4%, in 2014 compared to 2013 primarily due to:

- Salary and wage costs increased by $1,466 thousand due to additional faculty and staff hires combined with wage increases.
- Retirement and health insurance costs increased by $619 thousand.
- Other Payroll Expenses increased an additional $52 thousand
- Other costs associated with compensation and benefits decreased by $44 thousand.

Services and Supplies expense decreased by $443 thousand, or 2%. This decrease was seen across a number of categories including travel and items for resale. These decreases were partially offset by higher costs in maintenance and repairs, rentals and leases and other services and supplies.

Scholarships and Fellowships costs decreased by $187 thousand, or 2%. This net decrease corresponds to revenue decreases from federal and private sources. These decreases were partially offset by increases in state, foundation and institutional sources

Depreciation and Amortization expense increased by $380 thousand during 2014 primarily due to recently constructed or refurbished buildings being placed in service during 2014.

Nonoperating Expenses

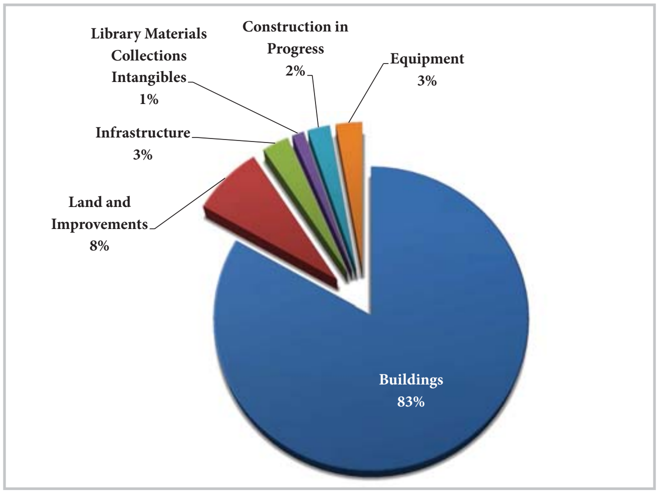
Interest Expense increased by $82 thousand, or 2%.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2015, WOU had $180.1 million in capital assets, less accumulated depreciation of $78.8 million, for net capital assets of $101.2 million. At June 30, 2014, WOU had $176.9 million in capital assets, less accumulated depreciation of $74.1 million, for net capital assets of $102.8 million. During fiscal year 2015, $650 thousand in construction projects were completed and placed into service, including improvements to Rice Auditorium and the Health & Wellness Center. WOU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing WOU's deferred maintenance backlog. State, federal, private, debt, and internal WOU funding were all used to accomplish WOU's capital objectives.

2015 Capital Assets, Net - $101.2 Million



Changes to Capital Assets (in 000's)

	2015	2014	2013
Capital Assets, Beginning of Year	**$ 176,873**	$ 176,339	$ 166,668
Add: Purchases/Construction	**4,368**	2,893	10,043
Less: Retirements/Disposals/Adjustments	**(1,184)**	(2,359)	(372)
Total Capital Assets, End of Year	**180,057**	176,873	176,339
Accum. Depreciation, Beginning of Year	**(74,091)**	(69,698)	(64,472)
Add: Depreciation Expense	**(5,778)**	(5,755)	(5,375)
Less: Retirements/Disposals/Adjustments	**1,057**	1,362	149
Total Accum. Depreciation, End of Year	**(78,812)**	(74,091)	(69,698)
Total Capital Assets, Net, End of Year	**$ 101,245**	$ 102,782	$ 106,641

Capital additions totaled $4,368 thousand for 2015, $2,893 thousand for 2014, and $10,043 thousand for 2013.

Accumulated depreciation at June 30, 2015 increased by $4,721 thousand, which represented $5,778 thousand in depreciation and amortization expense offset by $1,057 thousand in asset retirements and adjustments. Accumulated depreciation at June 30, 2014 increased by $4,393 thousand, which represented $5,755 thousand in depreciation and amortization expense offset by $1,362 thousand in asset retirements and adjustments. Depreciation expense was $5,778 thousand during 2015 compared to $5,755 thousand during 2014 and $5,375 thousand in 2013.

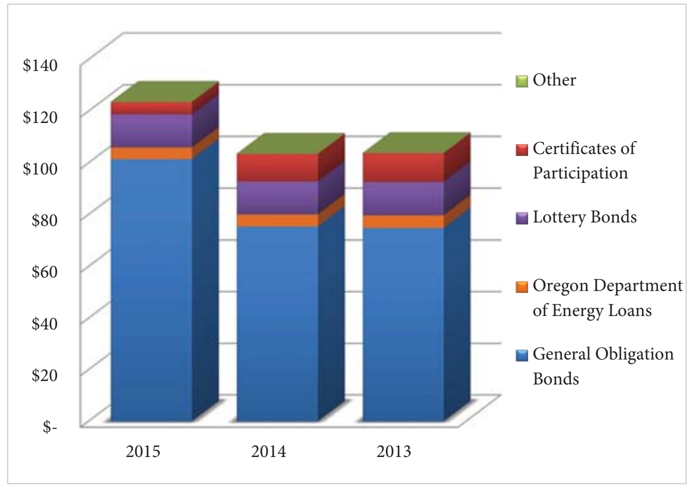
Capital Commitments

WOU has outstanding capital commitments on partially completed and planned but not yet started construction projects of $27,401 thousand as of June 30, 2015. See Note 17 Commitments and Contingent Liabilities for additional information relating to capital construction commitments.

Debt Administration

During 2015 and 2014, OUS issued debt on behalf of WOU totaling $37,722 thousand and $2,067 thousand, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations. General Obligation Bonds outstanding increased by $26,095 thousand during 2015.

Long-term Debt (in 000,000's)



Economic Outlook

Funding for the major activities of WOU comes from a variety of sources including tuition and fees, financial aid programs, federal and state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the university.

State funding levels continue to challenge WOU's ability to meet its public mission of teaching, research and service. While state funding to WOU has increased slightly over the last few years, it is still dramatically lower than the level of state contribution that existed prior to the last recession. This low level of state support, combined with rising expenses, particularly labor costs, has put increasing pressure on the institution to raise tuition.

In order to address some of these financial challenges, the 2013 legislature enacted SB 270 which granted independent governing boards of trustees to the University of Oregon, Portland State University, and Oregon State University effective July 1, 2014. This legislation also created the pathway for the establishment of independent governing boards for the four regional and one technical public universities in Oregon effective July 1, 2015. The Western

Oregon Board of Trustees was authorized in April 2014 and obtained all governance authority previously vested in the State Board of Higher Education on July 1, 2015. The WOU Board of Trustees has broad financial management authority, is able to issue institution-specific revenue bonds, and retains the authority to hire and evaluate the university president. The 2013 legislature also took action to reduce the large unfunded liability of the Public Employees Retirement System (PERS) and reduce the costs of these benefits to state employers. Many of these reforms, however, were overturned by the Oregon Supreme Court in Moro v. State of Oregon in 2015.

In fiscal year 2014 and fiscal year 2015, the legislature increased state operating support specifically to "buy-down" or limit increases in resident, undergraduate tuition. This resulted in an average tuition increase of 1.1% in fiscal year 2014 and increase of 0.08% in fiscal year 2015 for undergraduate residents. In fiscal year 2016, WOU's tuition increase was the lowest among the public universities, with an increase of 2%, before considering student aid offsets for Oregon residents.

Despite legislative changes, a major challenge going forward continues to be balancing low levels of state funding with aspirations related to Oregon's 40/40/20 goals: 40 percent of all adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associates degree or meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025. The WOU Board of Trustees and university leadership remain committed to meeting these challenges and ensuring the long-term financial health of WOU to carry out its core mission as a premier comprehensive public university.

	2015	2014	2013
Viability Ratio (expendable net position to long-term debt)	**0.54**	0.45	0.38
Primary Reserve Ratio (expendable net position to operating expenses)	**0.38**	0.31	0.27
Net Revenues Ratio (total net income to total revenues)	**3.28%**	0.28%	-0.30%
Return on Net Assets Ratio (change in net position to beginning net position)	**31.83%**	5.81%	-1.83%
Debt Burden Ratio (debt service to total expenditures)	**4.92%**	3.85%	4.09%

VIABILITY RATIO

The Viability Ratio is a measure of clear financial health; the availability of expendable net position to cover debt should the University need to settle its obligations as of the fiscal year end. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the university plus the unrestricted and temporarily restricted net assets of the component unit. Long-term debt includes bonds, loans and capital leases payable by the university as well as the long-term liabilities of the component unit. A ratio of 1.00 or greater indicates an institution has sufficient expendable net position to satisfy debt requirements. WOU's Viability Ratio was 0.54 for fiscal year 2015.

PRIMARY RESERVE RATIO

The Primary Reserve Ratio, calculated by dividing expendable net position by operating expenses, measures the ability of the University to continue operating at current levels, within current restrictions, without future revenues. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the university plus the unrestricted and temporarily restricted net assets of the component unit. Total operating expenses include the operating expenses and interest expenses of both the university and the component unit. Proof of an adequate reserve ratio is often required to secure long-term financing. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. WOU's Primary Reserve Ratio was 0.38 for fiscal year 2015.

NET REVENUES RATIO

The Net Revenues Ratio indicates whether the university has an operating surplus or deficit for the year. Total net income includes operating income (loss) plus net nonoperating revenues of the university, excluding capital gifts and debt service appropriations, plus total change in unrestricted net assets of the component unit. Total revenues include operating and net nonoperating revenues of the university plus unrestricted revenues, gains and other support of the component unit. A positive ratio indicates that the university experienced an operating surplus for the year. WOU's Net Revenues Ratio was 3.28 percent for fiscal year 2015.

RETURN ON NET ASSETS RATIO

The Return on Net Assets Ratio determines whether the university is financially better off than in previous years by measuring total economic return. Total change in net position includes the change in net position for the university plus the change in total net assets for the component unit. Total beginning net position includes the beginning net position of the university plus the total beginning net assets of the component unit. A positive ratio indicates a net increase in total net position at the end of the year. WOU's Return on Net Assets Ratio for fiscal year 2015 was 31.83 percent.

DEBT BURDEN RATIO

The Debt Burden Ratio measures the cost of servicing the debt of the university. This ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures. Total debt service includes the interest and principal payments on capital debt of both the university and the component unit. Total expenditures includes total expenses, including any loss on sale of assets and transfers, less depreciation plus debt service principal payments of both the university and the component unit. WOU's Debt Burdent Ratio for fiscal year 2015 was 4.92 percent.

As of June 30,		2015		2014
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	$	**13,428**	$	22,475
Collateral from Securities Lending (Note 2)		**2,446**		2,106
Accounts Receivable, Net (Note 3)		**5,832**		6,376
Notes Receivable, Net (Note 4)		**1,541**		1,412
Inventories		**1,186**		1,080
Prepaid Expenses		**280**		119
Total Current Assets		**24,713**		33,568
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		**25,217**		4,342
Investments (Note 2)		**29,413**		11,262
Notes Receivable, Net (Note 4)		**2,962**		2,856
Net Pension Asset		**4,952**		-
Capital Assets, Net of Accumulated Depreciation (Note 5)		**101,245**		102,782
Total Noncurrent Assets		**163,789**		121,242
Total Assets	$	**188,502**	$	154,810
DEFERRED OUTFLOWS OF RESOURCES	$	**4,800**	$	1,788
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 6)	$	**7,498**	$	5,969
Deposits		**2,932**		1,255
Obligations Under Securities Lending (Note 2)		**2,446**		2,106
Current Portion of Long-Term Liabilities (Note 8)		**8,432**		6,249
Unearned Revenues		**2,700**		2,728
Total Current Liabilites		**24,008**		18,307
Noncurrent Liabilities				
Long-Term Liabilities (Note 8)		**122,337**		104,450
Total Noncurrent Liabilities		**122,337**		104,450
Total Liabilities	$	**146,345**	$	122,757
DEFERRED INFLOWS OF RESOURCES	$	**9,556**	$	-
NET POSITION				
Net Investment in Capital Assets	$	**3,845**	$	4,167
Restricted For:				
Nonexpendable Endowments		-		2
Expendable:				
Gifts, Grants and Contracts		**414**		250
Student Loans		**6,837**		6,528
Capital Projects		**2,388**		4,019
Debt Service		**3,184**		1,545
Unrestricted		**20,733**		17,330
Total Net Position	$	**37,401**	$	33,841

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

As of June 30,		2015		2014
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	$	**486**	$	902
Contributions, Pledges and Grants Receivable, Net		**420**		1,024
Investments (Note 2)		**13,568**		12,865
Prepaid Expenses and Other Assets		**152**		129
Property and Equipment, Net		**175**		162
Total Assets	**$**	**14,801**	$	15,082
LIABILITIES				
Accounts Payable and Accrued Liabilities	$	**28**	$	8
Obligations to Beneficiaries of Split-Interest Agreements		**1,097**		1,129
Total Liabilities	**$**	**1,125**	$	1,137
NET ASSETS				
Unrestricted	$	**1,109**	$	1,049
Temporarily Restricted		**4,618**		5,298
Permanently Restricted		**7,949**		7,598
Total Net Assets	**$**	**13,676**	$	13,945

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

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

For the Year Ended June 30,		2015		2014
		(In thousands)		
OPERATING REVENUES				
Student Tuition and Fees (Net of Allowances of $12,350 and $11,555, respectively)	$	**31,237**		32,062
Federal Grants and Contracts		**9,536**		8,495
State and Local Grants and Contracts		**2,203**		1,551
Nongovernmental Grants and Contracts		**50**		75
Educational Department Sales and Services		**686**		657
Auxiliary Enterprises Revenues (Net of Allowances of $1,493 and $1,353, respectively)		**19,318**		19,262
Other Operating Revenues		**2,189**		2,083
Total Operating Revenues		**65,219**		64,185
OPERATING EXPENSES				
Instruction		**34,191**		35,462
Research		**1,766**		1,621
Public Service		**313**		381
Academic Support		**8,350**		7,545
Student Services		**5,798**		6,233
Auxiliary Programs		**21,637**		22,333
Institutional Support		**4,567**		4,995
Operation and Maintenance of Plant		**4,012**		4,209
Student Aid		**6,689**		7,655
Other Operating Expenses		**4,010**		4,745
Total Operating Expenses (Note 11)		**91,333**		95,179
Operating Loss		**(26,114)**		(30,994)
NONOPERATING REVENUES (EXPENSES)				
Government Appropriations (Note 12)		**17,790**		15,441
Financial Aid Grants		**14,421**		14,898
Investment Activity (Note 10)		**557**		521
Gain (Loss) on Sale of Assets, Net		**128**		(12)
Interest Expense		**(4,577)**		(4,507)
Other Nonoperating Items		**1,021**		871
Net Nonoperating Revenues		**29,340**		27,212
Income (Loss) Before Other Nonoperating Revenues		**3,226**		(3,782)
Debt Service Appropriations (Note 12)		**3,028**		3,513
Capital Grants and Gifts		**500**		622
Transfers within OUS		**37**		(74)
Total Other Nonoperating Revenues		**3,565**		4,061
Increase In Net Position Prior to Special/Extraordinary Items		**6,791**		279
SPECIAL AND EXTRAORDINARY ITEMS				
Special Item - Change in Entity (Note 9)		**5,810**		-
Increase In Net Position After Special/Extraordinary Items		**12,601**		**279**
NET POSITION				
Beginning Balance		**33,841**		33,562
Change in Accounting Principle (Note 1, Section S)		**(9,041)**		-
Beginning Balance, Restated		**24,800**		33,562
Ending Balance	$	**37,401**	$	33,841

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

STATEMENT OF ACTIVITIES
WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION - COMPONENT UNIT

For The Year Ended June 30,	2015	2014
	(In thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	**$ 67**	$ 71
Interest and Dividends	**8**	2
Investment Income, Net	**(10)**	-
Net Assets Released From Restrictions	**2,046**	1,894
Other Revenues	**19**	15
Total Revenues	**2,130**	1,982
EXPENSES		
University Support	**1,859**	1,776
General and Administrative	**200**	166
Fundraising	**11**	15
Total Expenses	**2,070**	1,957
Increase In Unrestricted Net Assets	**60**	25
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	**893**	2,168
Interest and Dividends	**416**	317
Investment Income, Net	**(183)**	1,043
Other Revenues	**239**	233
Net Assets Released From Restrictions	**(2,046)**	(1,894)
Increase (Decrease) In Temporarily Restricted Net Assets	**(681)**	1,867
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	**454**	260
Investment Income, Net	**(102)**	194
Increase In Permanently Restricted Net Assets	**352**	**454**
Increase (Decrease) In Total Net Assets	**(269)**	2,346
Beginning Balance	**13,945**	11,599
Ending Balance	**13,676**	13,945

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

For the Year Ended June 30,	2015	2014
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 31,457**	$ 32,500
Grants and Contracts	**11,419**	9,508
Educational Department Sales and Services	**686**	657
Auxiliary Enterprises Operations	**19,122**	19,153
Payments to Employees for Compensation and Benefits	**(64,135)**	(61,469)
Payments to Suppliers	**(18,239)**	(19,494)
Student Financial Aid	**(8,408)**	(8,707)
Other Operating Receipts	**3,161**	1,929
Net Cash Used by Operating Activities	**(24,937)**	(25,923)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**17,790**	15,441
Financial Aid Grants	**14,421**	14,898
Other Gifts and Private Contracts	**1,021**	871
Net Internal Agency Fund Receipts (Payments)	**1,677**	84
Net Transfers Within OUS	**37**	(1,759)
Cash Transfers Due to Reorganization	**4,803**	-
Net Cash Provided by Noncapital Financing Activities	**39,749**	29,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**2,683**	3,376
Capital Grants and Gifts	**500**	498
Bond Proceeds from Capital Debt	**44,453**	1,772
Sales of Capital Assets	**255**	985
Purchases of Capital Assets	**(4,400)**	(3,168)
Interest Payments on Capital Debt	**(4,450)**	(3,159)
Principal Payments on Capital Debt	**(24,351)**	(905)
Net Cash Provided (Used) by Capital and Related Financing Activities	**14,690**	(601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**(17,708)**	5,855
Income on Investments and Cash Balances	**34**	511
Net Cash Provided (Used) by Investing Activities	**(17,674)**	6,366
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,828**	9,377
CASH AND CASH EQUIVALENTS		
Beginning Balance	**26,817**	17,440
Ending Balance	**$ 38,645**	$ 26,817

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

For the Year Ended June 30,		2015		2014
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	**$**	**(26,114)**	$	(30,994)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation Expense		**5,778**		5,755
Changes in Assets and Liabilities:				
Accounts Receivable		**889**		(804)
Notes Receivable		**(235)**		133
Inventories		**(106)**		(54)
Prepaid Expenses		**(161)**		(1)
Accounts Payable and Accrued Liabilities		**1,434**		(428)
Long-Term Liabilities		**(22)**		236
Deposits		**-**		-
Unearned Revenue		**(28)**		234
Pension Expense Related to Net Pension Liability		**(6,372)**		-
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(24,937)**	$	(25,923)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Capital Assets Acquired by Gifts-in-Kind	**$**	**-**	$	123
Increase in Fair Value of Investments Recognized as a Component of Investment Activity		**523**		10
Internal Bank Loans Converted to XI-F(1) Debt		**-**		46,591

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

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. Western Oregon University (WOU) is one of the four universities that make up the OUS.

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

WOU 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 WOU, 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 WOU to become an independent public body legally separate from OUS. The State Board of Higher Education unconditionally endorsed WOU to become a separate legal entity with an independent governing board effective July 1, 2015. WOU will not be included in the OUS financial reporting entity starting with the fiscal year 2016 financial report. WOU 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

WOU 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 No. 35 provides a comprehensive, entity-wide perspective of WOU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

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

WOU 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, and is effective for the fiscal year ending June 30, 2015. Concurrently, WOU 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, WOU restated beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by ($9,041) and reduced Pension Expense by $6,373 resulting in a change in Unrestricted Net Position of ($2,669). The ending net pension asset as of June 30, 2015 is $4,952. See Note 13 Employee Retirement Plans for further details.

WOU 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 WOU financial statements.

UPCOMING ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASB 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 WOU 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 year ending June 30, 2017. WOU is analyzing the effects of the adoption of GASB No. 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 WOU.

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. WOU 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 WOU financial statements.

C. Basis of accounting

For financial reporting purposes, WOU is considered a special-purpose government engaged only in business-type activities. Accordingly, the WOU 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 held 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. WOU capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. WOU 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.

WOU 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 and 2014, 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

WOU 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. WOU is included in the proportionate share for all state agencies. The University's proportionate share is allocated by the Oregon State Department of Administrative Services. The system-wide Plan uses the accrual basis of accounting, for more information see Basis of Accounting in Note 13 on page 41.

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

WOU'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 WOU 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 ended June 30, 2015, Oregon Revised Statutes (ORS) Section 351.130 gave WOU the authority to use the interest, income, dividends, or profits of endowments. 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, as part of the reorganization of the public universities, WOU transferred the ownership of all of their endowments to the WOU Foundation. The university transferred a total of $15 in corpus for true and quasi endowments along with market appreciation of $65. The WOU Foundation policy is to annually distribute, for spending purposes to the University, 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.

There are no amounts reported as Nonexpendable Endowments on the Statement of Net Position as of June 30, 2015 as those are now owned and reported by the WOU Foundation. Nonexpendable Endowments on the Statement of Net Position of $2 at June 30, 2014, represented the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

N. Income taxes

WOU is treated as a governmental entity for tax purposes. As such, WOU is generally not subject to federal and state income taxes. However, WOU 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 years ended June 30, 2015 or 2014, because there is no significant amount of taxes on such unrelated business income for WOU.

O. Revenues and expenses

WOU 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.

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, WOU 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 Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statement - and Management's 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 enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. WOU has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by WOU, amounted to $3,413 and $3,317 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 $8,120 and $8,072 for the fiscal years ended 2015 and 2014, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $2,310 and $1,519 for the fiscal years ended 2015 and 2014, respectively.

Q. Federal Student Loan Programs

WOU receives proceeds from the Federal Direct Student Loan Program. Since WOU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an internal agency fund. Federal student loans received by WOU students but not reported in operations was $31,319 and $34,316 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 for Pensions* and GASB Statement 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	$ 33,841
Less Beginning Net Pension Liability	(11,149)
Plus Beginning Deferred Outflows	2,108
Total Change in Accounting Principle	(9,041)
Restated Beginning Net Position	**$ 24,800**

Fiscal year 2014 beginning net position was not restated for this change in accounting principle due to the fact that information was not available to restate net position as of July 1, 2013.

2. CASH AND INVESTMENTS

At June 30, 2015, a portion of WOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds of WOU 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. WOU is a participant in the PUF investment pools 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.

At June 30, 2014, substantially all of the cash and investments of WOU were centrally managed by the OUS, of which WOU was a member university. The invested assets were managed through several commingled investment pools at the State Treasury. Each investment pool had a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

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 exposure, see note 2.B below.

For full disclosure regarding cash and investments held at 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 **http://www.oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx**

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

WOU maintains the majority of its current 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 and related agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal year ended June 30, 2015 and 2014, WOU cash and cash equivalents on deposit at State Treasury were $16,311 and $26,798, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. At the fiscal year ended June 30, 2015, the current portion includes $920 held in internal agency funds for payroll liabilities and $707 held for debt service payments. The noncurrent portion includes $59 held in internal agency funds for WOU student groups and campus organizations and $1,158 held for debt service payments. At the fiscal year ended June 30, 2014, the current portion includes $889 held in internal agency funds for payroll liabilities and $786 held for debt service payments. The noncurrent portion includes $517 held in internal agency funds for WOU student groups and campus organizations.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, deposits will not be returned to a depositor. Since WOU cash balances held on deposit at the State Treasury are invested continuously, custodial credit risk exposure to the State Treasury is low.

FOREIGN CURRENCY RISK—DEPOSITS

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

OTHER DEPOSITS

For the years ended June 30, 2015 and 2014, WOU had vault and petty cash balances of $19 and $19, respectively. Additionally, WOU has cash held by trustee related to capital construction bonds and debt service payments in the amount of $23,701 for fiscal year ended June 30, 2015. Cash held by trustee is included in noncurrent cash in the Statement of Net Position.

B. Investments

As of June 30, 2015, WOU's operating funds were invested in the PUF. The PUF investment policy is governed by the OIC. At June 30, 2014, all WOU funds were invested by the State Treasury and managed by the OUS. 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.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2015, of the total $29,413 in investments, $1,729 are held for payroll liabilities and undistributed student loans and $3,252 are held for debt service payments. At June 30, 2014, of the total $11,262 in investments, $79 were restricted endowments, $829 were held for payroll liabilities and undistributed student loans and $659 were 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 WOU's portion of the 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 and 2014.

As of June 30, 2015, $18,303 was invested in an intermediate-term pool managed by State Treasury; and $11,110 was invested in a long-term fixed income pool managed by State Treasury.

At June 30, 2014, $3,124 was invested in an intermediate term pool managed by State Treasury; $8,058 was individually held investments; and $79 was invested in a portfolio managed for the benefit of pooled gifts and endowments.

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

Investments of the WOU discretely presented component unit are summarized at June 30, 2015 and 2014 as follows:

COMPONENT UNIT

Fair Value at June 30,	2015	2014
Investment Type:		
Marketable Securities	$ 12,706	$ 12,183
Money Market Funds and Cash	717	615
Cash Value of Life Insurance Policies	145	67
Total Investments	$ 13,568	$ 12,865

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. As of June 30, 2015, approximately 35.7 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 Investment Pools totaled $307,454 at June 30, 2015, of which WOU owned $29,413 or 9.6 percent.

At June 30, 2014, approximately 79.6 percent of investments in the OUS Investment Pools were subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $154,485. Fixed income securities which have not been evaluated by the rating agencies totaled $79,935. The OUS Investment Pool totaled $299,160 of which WOU owned $11,262 or 3.8 percent.

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. OUS 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 had reportable foreign currency risk at June 30, 2015.

Of the total OUS Investment Pool of $299,160 at June 30, 2014, $29,970 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2014. Of those investments, $6,201 had foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

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 $110,017 had an average duration of 3.38 years. As of June 30, 2104, securities in the OUS Investment Pool held subject to interest rate risk totaling $245,840 had an average duration of 3.04 years. Duration measures the change in the value of a fixed income security that will result from a 1% 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 WOU 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 WOU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by OUS 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.

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The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for WOU 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 units, comprised the following:

	June 30, 2015	June 30, 2014
Student Tuition and Fees	**$ 14,445**	$ 12,470
Auxiliary Enterprises and Other Operating Activities	**1,816**	1,620
Federal Grants and Contracts	**2,433**	2,289
State, Other Government, and Private Gifts, Grants and Contracts	**36**	30
Other	**418**	1,045
	19,148	17,454
Less: Allowance for Doubtful Accounts	**(13,316)**	(11,078)
Accounts Receivable, Net	**$ 5,832**	$ 6,376

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 and 2014. 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. WOU 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	**$ 893**	**$ 8**	**$ 901**
Federal Student Loans	**745**	**3,394**	**$ 4,139**
	1,638	**3,402**	**5,040**
Less: Allowance for Doubtful Accounts	**(97)**	**(440)**	**(537)**
Notes Receivable, Net	**$ 1,541**	**$ 2,962**	**$ 4,503**

	June 30, 2014		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 785	$ -	$ 785
Federal Student Loans	754	3,437	$ 4,191
	1,539	3,437	4,976
Less: Allowance for Doubtful Accounts	(127)	(581)	(708)
Notes Receivable, Net	$ 1,412	$ 2,856	$ 4,268

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2013	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2014	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2015**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 4,833	$ -	$ -	$ -	$ 4,833	**$ -**	**$ -**	**$ -**	**$ 4,833**
Capitalized Collections	987	61	-	(681)	367	**-**	**-**	**(2)**	**365**
Construction in Progress	8,937	175	(8,953)	-	159	**2,873**	**(650)**	**-**	**2,382**
Total Capital Assets, Non-depreciable/Non-amortizable	14,757	236	(8,953)	(681)	5,359	**2,873**	**(650)**	**(2)**	**7,580**
Capital Assets, Depreciable/ Amortizable:									
Equipment	10,001	746	-	(1,344)	9,403	**1,394**	**-**	**(966)**	**9,831**
Library Materials	7,157	104	-	(58)	7,203	**85**	**-**	**(144)**	**7,144**
Buildings	130,899	1,807	8,862	(276)	141,292	**16**	**527**	**(72)**	**141,763**
Land Improvements	4,263	-	-	-	4,263	**-**	**123**	**-**	**4,386**
Improvements Other Than Buildings	1,656	-	49	-	1,705	**-**	**-**	**-**	**1,705**
Infrastructure	5,736	-	42	-	5,778	**-**	**-**	**-**	**5,778**
Intangible Assets	1,870	-	-	-	1,870	**-**	**-**	**-**	**1,870**
Total Capital Assets, Depreciable/Amortizable	161,582	2,657	8,953	(1,678)	171,514	**1,495**	**650**	**(1,182)**	**172,477**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(7,702)	(754)	-	1,304	(7,152)	**(772)**	**-**	**913**	**(7,011)**
Library Materials	(5,962)	(293)	-	58	(6,197)	**(263)**	**-**	**144**	**(6,316)**
Buildings	(49,355)	(4,040)	-	-	(53,395)	**(4,089)**	**-**	**-**	**(57,484)**
Land Improvements	(2,029)	(211)	-	-	(2,240)	**(202)**	**-**	**-**	**(2,442)**
Improvements Other Than Buildings	(568)	(152)	-	-	(720)	**(154)**	**-**	**-**	**(874)**
Infrastructure	(2,427)	(246)	-	-	(2,673)	**(239)**	**-**	**-**	**(2,912)**
Intangible Assets	(1,655)	(59)	-	-	(1,714)	**(59)**	**-**	**-**	**(1,773)**
Total Accumulated Depreciation/ Amortization	(69,698)	(5,755)	-	1,362	(74,091)	**(5,778)**	**-**	**1,057**	**(78,812)**
Total Capital Assets, Net	$ 106,641	$ (2,862)	$ -	$ (997)	$ 102,782	**$ (1,410)**	**$ -**	**$ (127)**	**$ 101,245**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 14,757	$ 236	$ (8,953)	$ (681)	$ 5,359	**$ 2,873**	**$ (650)**	**$ (2)**	**$ 7,580**
Capital Assets, Depreciable/ Amortizable	161,582	2,657	8,953	(1,678)	171,514	**1,495**	**650**	**(1,182)**	**172,477**
Total Cost of Capital Assets	176,339	2,893	-	(2,359)	176,873	**4,368**	**-**	**(1,184)**	**180,057**
Less Accumulated Depreciation/ Amortization	(69,698)	(5,755)	-	1,362	(74,091)	**(5,778)**	**-**	**1,057**	**(78,812)**
Total Capital Assets, Net	$ 106,641	$ (2,862)	$ -	$ (997)	$ 102,782	**$ (1,410)**	**$ -**	**$ (127)**	**$ 101,245**

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2015	June 30, 2014
Salaries and Wages	**$ 3,030**	$ 2,957
Services and Supplies	**2,936**	1,612
Accrued Interest	**1,475**	1,348
Contract Retainage Payable	**20**	52
Other	**37**	-
Total	**$ 7,498**	$ 5,969

7. OPERATING LEASES

A. Receivables/Revenues

WOU has no operating lease revenue or future receivables as of June 30, 2015 or 2014.

B. Payables/Expenses

WOU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $34 and $49 for the years ended June 30, 2015 and 2014, respectively. Minimum future lease payments on operating leases at June 30, 2015 were:

For the year ending June 30,	
2016	$ 25
2017	4
Total Minimum Operating Lease Payments	$ 29

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 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)	$ 61,843	$ 7,454	$ (9,286)	$ 60,011	$ 3,808	$ 56,203
General Obligation Bonds XI-G	12,585	4,713	(4,994)	12,304	849	11,455
General Obligation Bonds XI-Q	1,021	28,293	(85)	29,229	816	28,413
Certificates of Participation (COPs)	10,614	-	(5,825)	4,789	527	4,262
Lottery Bonds	12,773	3,994	(3,970)	12,797	353	12,444
Oregon Department of Energy Loans (SELP)	4,699	-	(202)	4,497	202	4,295
Total Long-Term Debt	103,535	44,454	(24,362)	123,627	6,555	117,072
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	4,372	-	(191)	4,181	168	4,013
Compensated Absences	1,687	1,798	(1,696)	1,789	1,709	80
Other Postemployment Benefits	1,105	67	-	1,172	-	1,172
Total Other Noncurrent Liabilities	7,164	1,865	(1,887)	7,142	1,877	5,265
Total Long-Term Liabilities	$ 110,699	$ 46,319	$ (26,249)	$ 130,769	$ 8,432	$ 122,337

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	$ 13,570	$ 48,286	$ (13)	$ 61,843	$ 2,625	$ 59,218
Internal Bank Loans	47,770	-	(47,770)	-	-	-
General Obligation Bonds XI-G	12,510	76	(1)	12,585	807	11,778
General Obligation Bonds XI-Q	1,049	-	(28)	1,021	29	992
Certificates of Participation (COPs)	11,107	-	(493)	10,614	516	10,098
Lottery Bonds	12,954	-	(181)	12,773	307	12,466
Oregon Department of Energy Loans (SELP)	4,888	-	(189)	4,699	197	4,502
Total Long-Term Debt	103,848	48,362	(48,675)	103,535	4,481	99,054
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	4,487	-	(115)	4,372	81	4,291
Compensated Absences	1,519	1,834	(1,666)	1,687	1,687	-
Other Postemployment Benefits	922	183	-	1,105	-	1,105
Total Other Noncurrent Liabilities	6,928	2,017	(1,781)	7,164	1,768	5,396
Total Long-Term Liabilities	$ 110,776	$ 50,379	$ (50,456)	$ 110,699	$ 6,249	$ 104,450

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

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

	General Obligation Bonds				Lottery		Total		
For the Year Ending June 30,	XI-F(1)	XI-G	XI-Q	COPs	Bonds	SELP	Payments	Principal	Interest
2016	$ 5,790	$ 1,169	$ 1,775	$ 724	$ 763	$ 410	$ 10,631	$ 5,311	$ 5,320
2017	4,778	1,171	1,774	725	762	411	9,621	4,414	5,207
2018	4,631	1,160	1,773	724	767	411	9,466	4,482	4,984
2019	4,661	978	1,775	723	745	411	9,293	4,714	4,579
2020	4,313	935	1,774	724	865	411	9,022	4,658	4,364
2021-2025	20,913	5,011	11,852	452	5,803	2,054	46,085	28,133	17,952
2026-2030	19,576	4,214	8,414	2,124	4,660	1,996	40,984	29,752	11,232
2031-2035	12,970	192	6,769	-	2,281	332	22,544	17,067	5,477
2036-2040	9,200	-	5,208	-	-	-	14,408	12,678	1,730
2041-2045	572	-	-	-	-	-	572	545	27
Accreted Interest								2,272	(2,272)
								$ 114,026	$ 58,600
Total Future Debt Service	**87,404**	**14,830**	**41,114**	**6,196**	**16,646**	**6,436**	**172,626**		
Less: Interest Component of Future Payments	(30,177)	(3,421)	(15,777)	(1,598)	(5,688)	(1,939)	(58,600)		
Principal Portion of Future Payments	**57,227**	**11,409**	**25,337**	**4,598**	**10,958**	**4,497**	**114,026**		
Adjusted by:									
Unamortized Bond Premiums	2,784	895	3,892	191	1,839	-	9,601		
Total Long-Term Debt	**$ 60,011**	**$ 12,304**	**$ 29,229**	**$ 4,789**	**$ 12,797**	**$ 4,497**	**$ 123,627**		

The State of Oregon and the OUS Board issue various debt instruments to fund capital projects at all OUS institutions, including WOU. 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 WOU's share of these debt issuances are payable to OUS. In addition, WOU also borrows funds from the Oregon Department of Energy. WOU 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 2042.

During the fiscal year ended June 30, 2015, the OUS Board issued XI-F (1) bonded indebtedness on behalf WOU as follows:

- $6,110 of Series 2015B XI-F(1) Tax Exempt bonds with an effective rate of 4.68 percent due serially through 2039, for refunding.

During the fiscal year ended June 30, 2014, the OUS Board did not issue any XI-F (1) bonds on behalf of WOU.

B. Internal Bank

Through June 30, 2014, OUS managed an internal bank on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for OUS universities, including WOU. As a result of the pending changes in university governance effective July 1, 2014 (See Note 1), the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, WOU internal bank loans totaled $47,179, all of which were converted to XI-F(1) debt.

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.24 percent to 7.00 percent, are due serially through 2034. During the fiscal years ended June 30, 2015, the State issued XI-G bonds on WOU's behalf as follows:

- $3,825 of Series 2015 A XI-G Tax Exempt bonds with an effective rate of 4.80 percent due serially through 2034, for refunding.

During the fiscal years ended June 30, 2014, the State did not issue any XI-G bonds on WOU's behalf

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.19 percent to 4.40 percent, are due serially through fiscal year 2039. During the fiscal year ended June 30, 2015 , the State issued XI-Q bonds on WOU's behalf as follows:

- $14,625 of Series 2015 F XI-Q Tax Exempt bonds with an effective rate of 1.91 percent, due serially through 2039 for capital construction.

- $5,000 of Series 2015 G XI-Q Taxable bonds with an effective rate of 2.42 percent, due serially through 2025 for capital construction.
- $4,824 of Series 2015 H XI-Q Tax Exempt bonds with an effective rate of 4.83 percent, due serially through 2027 for refunding of COPs.

During the fiscal year ended June 30, 2014, the State did not issue any XI-Q bonds on WOU's behalf.

E. 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 OUS since fiscal year 2010.

F. 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 behalf of WOU as follows:

- $1,745 of Series 2014 B Tax Exempt bonds with an average interest rate of 5.0 percent, due serially through 2027, for refunding.
- $1,593 of Series 2015 C Tax Exempt bonds with an average interest rate of 4.73 percent, due serially through 2028, for refunding.

During the fiscal year ended June 30, 2014, the State did not issue any Lottery Bonds on WOU's behalf.

G. Oregon Department of Energy Loans

WOU 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 WOU. WOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 4.56 percent to 4.91 percent, are due through 2031.

H. Defeased Debt

WOU 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 WOU $6,110 in XI-F(1) Bonds with an average interest rate of 4.68 percent to refund $6,460 in XI-F(1) Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were $7,268 (after payment of $42 in underwriting costs and bond premium of $1,200).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $626. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $1,276 and resulted in an economic gain of $1,007.

During the year ended June 30, 2015, the State issued on behalf of WOU $3,825 in XI-G Bonds with an average interest rate of 4.80 percent to refund $4,176 in XI-G Bonds with an average interest rate of 4.76 percent. The net proceeds of the bonds were $4,647 (after payment of $25 in underwriting costs and bond premium of $847).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $453. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $433 and resulted in an economic gain of $336.

During the year ended June 30, 2015, the State issued on behalf of WOU $4,824 in XI-Q Bonds with an average interest rate of 5.00 percent to refund $5,112 in COPs with an average interest rate of 4.83 percent. The net proceeds of the bonds were $5,872 (after payment of $26 in underwriting costs and bond premium of $1,074).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $552. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $445 and resulted in an economic gain of $386.

During the year ended June 30, 2015, the State issued on behalf of WOU $3,338 in Lottery Bonds with an average interest rate of 4.86 percent to refund $3,622 in Lottery Bonds with an average interest rate of 4.78 percent. The net proceeds of the bonds were $3,973 (after payment of $15 in underwriting costs, bond premium of $656 and cash on hand in reserve account of $6).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $261 The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by $342 and resulted in an economic gain of $305.

During the year ended June 30, 2014, OUS issued no XI-F(1), XI-G, XI-Q or Lottery Bonds to be used to defease previously issued debt.

The total amount of defeased debt outstanding but removed from the financial statements as of June 30, 2015 and 2014 totaled $25,887 and $15,640, respectively.

I. Financial Guarantees

OUS, including WOU 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.

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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 WOU in the amount of $292 and $283 for June 30, 2015 and 2014, respectively. Principal payments of $168 and $115 were applied to the liability for June 30, 2015 and 2014, respectively. A prior period adjustment of ($23) was applied to the WOU SLGRP liability by the State at June 30, 2015.

9. CHANGE IN ENTITY

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 which established a pathway for WOU to become an independent public body legally separate from OUS. The State Board of Higher Education unconditionally endorsed WOU to become separate legal entities with an independent governing board effective July 1, 2015. Prior to July 1, 2015 WOU 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 WOU, on or before the June 30, 2015 closing of OUS.

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

	June 30, 2015
Assets Transferred From OUS Resulting in Increase to Net Position	
Cash Distribution To/For:	
Closing of OUS Internal Bank	$ 370
Student Building Fee Fund	4,114
Lottery Debt Service Funds	2
Fraud Prevention Funds	20
Support from Chancellor's Office	250
Remaining Cash at Close of Chancellor's Office	47
Total Assets Transferred from OUS	4,803
Endowments	
Endowments Transferred to WOU Foundation	(80)
Other Changes	
Principal & Interest Payments on Institution Debt Paid by Chancellor's Office	1,087
Total Change in Entity	**$ 5,810**

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2015	June 30, 2014
Investment Earnings	**$ 543**	$ 496
Royalties and Technology Transfer Income	**6**	12
Interest Income	**5**	-
Endowment Income	**3**	3
Net Appreciation of Investments	**-**	10
Total Investment Activity	**$ 557**	$ 521

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	June 30, 2014
Compensation and Benefits	**$ 57,814**	$ 61,862
Services and Supplies	**19,437**	18,085
Scholarships and Fellowships	**8,407**	8,707
Depreciation and Amortization	**5,778**	5,755
Other Expenses	**(103)**	770
Total Operating Expenses	**$ 91,333**	$ 95,179

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12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following:

	June 30, 2015		
	General Operations	**Debt Service**	**Total**
State General Fund	**$ 17,225**	**$ 2,695**	**$ 19,920**
State Lottery Funding	**565**	**333**	**898**
Total Appropriations	**$ 17,790**	**$ 3,028**	**$ 20,818**

	June 30, 2014		
	General Operations	Debt Service	Total
State General Fund	$ 14,877	$ 2,745	$ 17,622
State Lottery Funding	564	768	1,332
Total Appropriations	$ 15,441	$ 3,513	$ 18,954

13. EMPLOYEE RETIREMENT PLANS

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

A. DEFINED BENEFIT RETIREMENT PLANS

Disclosures for the year ended June 30, 2015 are required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Disclosures for the year ended June 30, 2014 are required by GASB Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers*, GASB Statement No. 50 *Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27*.

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 year 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 the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The cap on 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. 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 and 2014 was 9.86 percent.

Employer required contributions for the year ended June 30, 2015 and June 30, 2014 were $2,306 and $2,205, respectively, 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**

ADDITIONAL DISCLOSURES FOR FISCAL YEAR ENDING JUNE 30, 2015 ONLY

The University implemented GASB Statement Nos. 68 and 71 for the reporting period ending June 30, 2015. Beginning Net Position as of July 1, 2014 was restated for Net Pension Liability and Deferred Outflows of Resources. The following are additional disclosures that pertain only to fiscal year ending June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: At June 30, 2015, the University reported an asset of $4,952 for its proportionate share of the PERS net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of 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 performed reviewed this internal calculation. At December 31, 2012 WOU's proportion was 0.22 percent of the statewide pension plan, and 0.92 percent of employer state agencies.

For the year ended June 30, 2015, WOU recorded a net reduction in pension expense of $6,373 due to the implementation of GASB Statement Nos. 68 and 71.

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	9,556
Differences between System's contributions and proportionate share of contributions	89	-
Total	$ 89	$ 9,556
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		$ (9,467)
Contributions Subsequent to the MD	1,846	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		$ (7,621)

Of the amount reported as deferred outflows of resources, $1,846 are related to pensions resulting from WOU contributions subsequent to the measurement date and 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:

	Deferred Outflow/ (Inflow) of Resources
Year Ended June 30:	
2016	$ (2,370)
2017	(2,370)
2018	(2,370)
2019	(2,369)
2020	12
	$ (9,467)

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 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 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 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% of annual benefit.

SB 861, signed into law in October 2013, limited the post-retirement COLAs for years beyond 2013 to 1.25% on the first $60 of annual benefit and 0.15% 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 Pension 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 pay date.

Beginning with fiscal year 2015, PERS is able to report cash contributions by employer, and has 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 Statement 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% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%. 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%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

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.

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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% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

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
Actuarial assumptions:	
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 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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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% 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 table on the following page 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.

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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 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%	$10,487
Current Discount Rate -7.75%	(4,952)
1 % Increase -8.75%	(18,010)

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 years ended June 30, 2015 and 2014 were $1,700 and $1,592, respectively.

B. DEFINED CONTRIBUTION RETIREMENT PLANS

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized WOU 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	2014
ORP Tier One	**16.50%**	**16.50%**
ORP Tier Two	**16.50%**	**16.50%**
OPSRP Equivalent	**6.42%**	**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

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OREGON UNIVERSITY SYSTEM 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee and employer contributions are directed to PERS on the first forty-eight hundred dollars. The contribution to TIAA-CREF annuities are supplemental to PERS. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

SUPPLEMENTAL RETIREMENT PLAN

WOU maintains an IRC Section 414(b) cash balance defined benefit plan to provide a specific benefit value to the university president upon separation. The 414(b) plan is qualified under IRS Section 401(a) as a governmental plan. As of June 30, 2104, the plan was fully funded.

SUMMARY OF PENSION PAYMENTS

WOU total payroll for the year ended June 30, 2015 was $42,621, of which $10,904 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

	June 30, 2015			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,248	11.45%	$ 652	5.98%
TIAA-CREF	7	0.06%	7	0.06%
SRP	35	0.32%	-	0.00%
Total	$ 1,290	11.83%	$ 659	6.04%

WOU paid 100 percent of the ORP and TIAA-CREF Employee Contribution amounts on behalf of their employees during the fiscal year ended June 30, 2015.

WOU total payroll for the year ended June 30, 2014 was $40,816, of which $10,340 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,202	11.62%	$ 614	5.94%
TIAA-CREF	6	0.06%	6	0.06%
SRP	20	0.19%	-	0.00%
Total	$ 1,228	11.88%	$ 620	6.00%

WOU paid 100 percent of the ORP and TIAA-CREF Employee Contribution amounts on behalf of their employees during the fiscal year ended June 30, 2014.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Plan Description. WOU participates in a defined benefit postemployment 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. Chapter 243 of the ORS 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 WOU 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 WOU for its employees are 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 offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to WOU's share, estimated at 1.4 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. WOU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2015 and 2014, WOU paid healthcare insurance premiums of $11,088 and $11,128, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $87 and $97 for the fiscal years ended 2015 and 2014, respectively.

Annual OPEB Cost and Net OPEB Obligation. WOU's annual OPEB expense is calculated based on WOU's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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.

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

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

	June 30, 2015	June 30, 2014
Annual Required Contribution	$ 190	$ 187
Interest on Net OPEB Obligation	39	38
Adjustment to Annual Required Contribution	(75)	(73)
Prior Period Adjustment	-	128
Annual OPEB Cost	154	280
Contributions Made	(87)	(97)
Increase in Net OPEB Obligation	67	183
Net OPEB Obligation - Beginning of Year	1,105	922
Net OPEB Obligation - End of Year	$ 1,172	$ 1,105

The WOU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation for the fiscal years ended June 30, 2015 and 2014 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	**$ 154**	**13%**	**$ 1,172**
2014	280	25%	1,105
2013	211	23%	922

Funding Status and Funding Progress. The funded status of the WOU OPEB plan for June 30, 2015 and 2014 were as follows:

	June 30, 2015	June 30, 2014
Actuarial Accrued Liabilities	$ 1,493	$ 1,530
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	$ 1,493	$ 1,530
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	$ 36,636	$ 34,815
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	4.08%	4.39%

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 WOU 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	June 30, 2014
Actuarial Valuation Date	**7/1/2013**	7/1/2013
Actuarial Cost Method	**Entry Age Normal**	Entry Age Normal
Amortization Method	**Level Percentage**	Level Percentage
Amortization Period	**15 Years (open)**	15 Years (open)
Investment Rate of Return	**3.5%**	3.5%
Projected Salary Increases	**3.5%**	3.5%
Initial Healthcare Inflation Rates	**3.6% (medical) 2.2% (dental)**	3.6% (medical) 2.2% (dental)
Ultimate Healthcare Inflation Rates	**5.4% (medical) 5.0% (dental)**	5.4% (medical) 5.0% (dental)

15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which WOU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2015 and 2014 were $1,485 and $1,548.

16. RISK FINANCING

WOU 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, WOU 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
- 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.

WOU retains risk for losses under $5, which is the deductible per claim not covered by insurance purchased through the Trust.

The Trust is backed by commercial policies, an excess property policy with a limit of $500,000, 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.

WOU 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.

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (DOLLARS IN THOUSANDS)

Through June 30, 2014, WOU participated in the pooled risk management services provided through the OUS Risk Management Fund managed by the OUS Office of Risk Management. Effective July 1, 2014, all assets and liabilities of the OUS Risk Fund were transferred to the Trust.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately $27,401 at June 30, 2015. These commitments will be primarily funded from gifts and grants, bond proceeds, and other WOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2015.

WOU 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.

WOU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

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

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2015

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	$ 2,717	$ 731	$ 1,986
Oregon Military Purchase	4,974	25	4,949
Student Health Center Addition	2,000	23	1,977
Woodcock Education Center	18,606	1,371	17,235
Project Budgets <$1 million	2,937	1,683	1,254
	$ 31,234	$ 3,833	$ 27,401

18. SUBSEQUENT EVENTS

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

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

REMOVAL OF STATE PAID DEBT

As a result of WOU 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 WOU as a long-term liability will be removed from WOU 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 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 Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLAs 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 COLAs tied to the Consumer Price Index that normally results in a 2% 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 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.

The table below summarizes the estimated impact (dollars in millions). Estimates have been rounded to the nearest $10 million:

June 30, 2014 Measurement Date (MD)

Net Pension Liability (Asset)	Prior to Moro		After Moro (estimated)	
Total Pension Liability	$	63,135	$	68,050
Fiduciary Net Position		65,402		65,400
Net Pension Liability (Asset)	$	(2,267)	$	2,650

WOU's proportionate share of the statewide pension plan at MD:		0.21847545%
Net pension (asset) prior to Moro (full dollars):	$	(4,952,215)
Estimated net pension liability at MD after Moro (full dollars):	$	5,789,599

19. WESTERN OREGON 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 WOU. The WOU Foundation is a legally separate, tax-exempt entity with an independent governing board. Although WOU 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 activities 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 WOU and is discretely presented in the financial statements. The financial activity is reported for the year ended June 30, 2015.

During the year ended June 30, 2015 gifts of $1,417 were transferred from the university foundation to WOU. The WOU affiliated foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the WOU component unit on pages 21 and 23 of this document.

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

- *Western Oregon University Foundation, 345 N. Monmouth Ave., Monmouth, OR 97361*

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF WESTERN OREGON UNIVERSITY'S CONTRIBUTIONS*

Public Employees Retirement System

For Fiscal Years Ended June 30,	2015	2014	2013	2012
Contractually Required Contribution	$ 1,846	$ 1,807	$ 1,687	$ 1,609
Contributions in Relation to the Contractually Required Contribution	1,846	1,807	1,687	1,609
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 25,732	$ 24,475	$ 23,570	$ 22,792
Contributions as a Percentage of Covered Payroll	7.2%	7.4%	7.2%	7.1%

SCHEDULE OF WESTERN 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	0.22%
University's Proportionate Share of the Net Pension Asset	$ 4,952
University's Covered Payroll	$ 25,732
University's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	19.24%
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.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

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	-	2,397	2,397	0.0%	31,628	7.6%
6/30/2012	-	2,273	2,273	0.0%	31,452	7.2%
6/30/2013	-	2,306	2,306	0.0%	33,673	6.8%
6/30/2014	-	1,530	1,530	0.0%	34,815	4.4%
6/30/2015	-	1,493	1,493	0.0%	36,636	4.1%

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

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