Oregon TECH

Oregon Institute of Technology

2018 Annual Financial Report

Oregon Institute of Technology

www.oit.edu

Hands-on education for real-world achievement

Oregon Institute of Technology 2018 Annual Report

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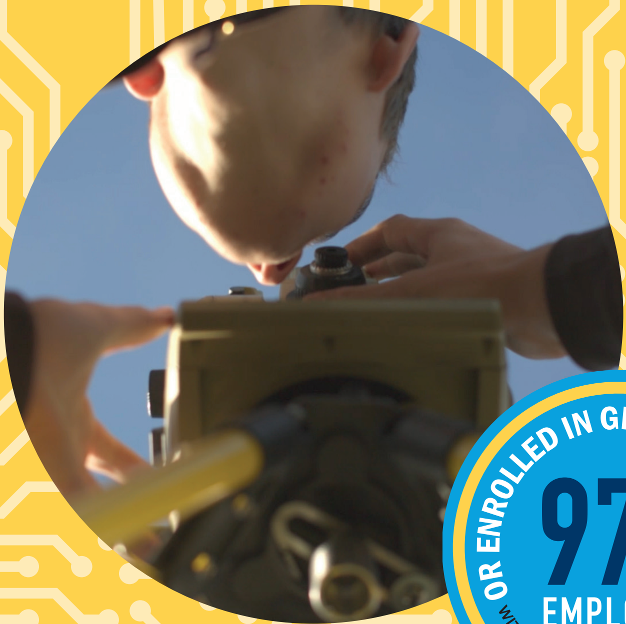
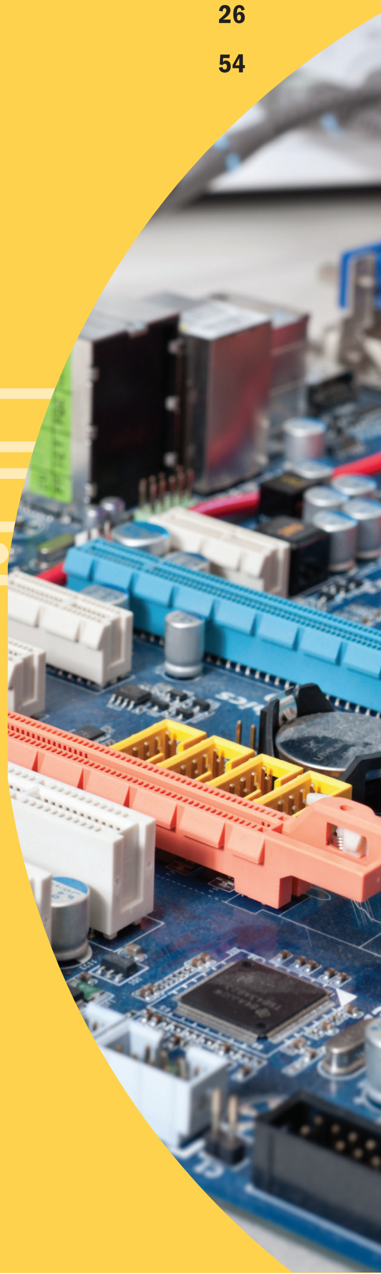


97% EMPLOYED OR ENROLLED IN GRADUATE SCHOOL WITHIN 6 MONTHS AFTER GRADUATING



Oregon Tech Board of Trustees

Oregon Tech Executive Officers

About the University

The Oregon Institute of Technology (Oregon Tech) is an institution founded on the principles of excellence through hands-on knowledge. We believe in giving students a rigorous, practical education while applying cutting-edge concepts for real-world solutions.

As Oregon's only polytechnic university, we take pride in our mission to deliver technology education. We continually partner with industry leaders to ensure that we adapt to new technology and that our programs and classes are high-quality to prepare students for workforce demands.

This real-world focus gives our students a competitive edge: almost 97 percent are either employed or enrolled in graduate school within six months after graduation. Year after year, our baccalaureate graduates earn excellent starting salaries. New graduates earn an average starting salary of $58,000 per year. We also attribute this to our dedicated professors, who provide personalized attention and are genuinely invested in their students' learning. A total enrollment of about 5,300 allows for an intimate campus environment distinguished by small classes and a student-to-faculty ratio of 20:1. This personal approach provides many benefits of a private education at a public university.

Hands-on Education

Our individualized and applied approach to teaching, which blends theory and practice, is the main reason our graduates are so avidly recruited. Whether they study software engineering, vascular technology, management, or dental hygiene, Oregon Tech students have amazing opportunities to apply what they learn in lab-based classes, clinics, externships and workplaces. This practical focus is reinforced in the classroom by instructors who come to Oregon Tech with relevant business, industrial, or clinical experience.

And in every program, major studies are underscored by a general-education core that broadens students' understanding of the world and teaches them to communicate effectively, solve problems and think for themselves. Oregon Tech is best known for its traditional engineering and technological core, but new degree options (and surprising twists on old ones) are remarkably multi-dimensional. A Geomatics student might use GIS technology to survey an archeological excavation, or a Mechanical Engineering student may complete a cross-disciplinary application in sustainability. A Communication Studies major might compile a technical manual for an Oregon Renewable Energy Center project. Information Technology and Health Informatics or Management students might specialize in allied health management.

MISSION

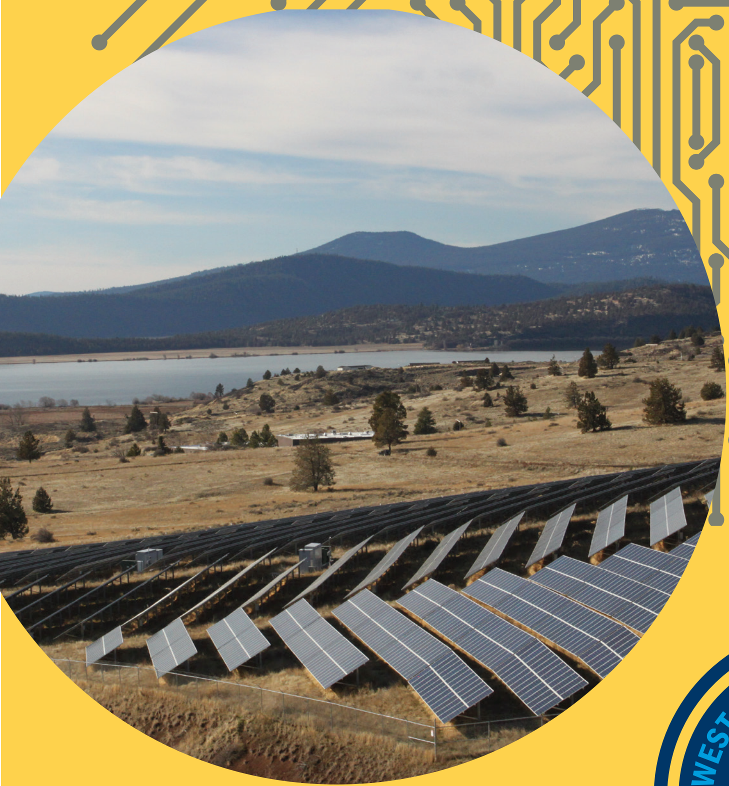
Oregon Institute of Technology offers innovative and rigorous applied degree programs in the areas of engineering, engineering technologies, health technologies, management, and the arts and sciences. To foster student and graduate success, the university provides an intimate, hands-on learning environment, focusing on application of theory to practice. Oregon Tech offers statewide educational opportunities for the emerging needs of Oregon's citizens and provides information and technical expertise to state, national and international constituents.

CORE THEMES

- Applied Degree Programs
- Student and Graduate Success
- Statewide Educational Opportunities
- Public Service

Oregon Tech Strategic Plan:
www.oit.edu/faculty-staff/resources/strategic-plan

AVERAGE STARTING SALARY
$58K
PER YEAR
FOR OREGON TECH GRADUATES



BEST WEST COLLEGES FOR VETERANS
#5
2018
U.S. NEWS AND WORLD REPORT

Top University Accomplishments

- Enrollment Growth: Student and degree program growth helped increase enrollment in Fall 2017 by almost 5%. Impressive increases were seen in Online programs, and in Oregon Tech's high school dual enrollment programs. Retention increased to just under 80%, an all-time high; international students increased by more than 38%; and student ethnic diversity reached more than 30%.

- Student Recognition: Oregon Tech students won several prestigious awards and were selected for special honors throughout the year. This included: first place in the annual National Society of Professional Surveyors (NSPS) Surveying Competition. ■ Jordan Preston, BS/MS candidate in civil engineering was selected as the 2017 "Student of the Year" by the National Institute for Transportation and Communities. ■ OT's Eclipse Ballooning Project team was recognized by NASA as one of the only successful teams to live stream images of the rare solar eclipse; and for carrying and recovering a NASA payload.

- Faculty and Staff Recognition: Our Commission on College Teaching was awarded an Active Learning Center grant by Steelcase Education to design and study a space supporting innovation and student engagement. ■ Geomatics professor Dr. John Ritter's web mapping systems research model built around community health, was featured by the Herald & News, KOTI-TV. ■ The W. M. Keck Foundation awarded $225,000 to the Oregon Tech Foundation for a Smart Grid Lab project to support curriculum development in 25 engineering courses focused on the operation, control and integration of renewable energy resources with an existing power grid. Professors Eklas Hossain and Fen Shi worked with Emeritus Professor Jamie Zipay in developing the project. ■ Dr. Melissa Dubois, Executive Director of the South Metro-Salem STEM Partnership, hosted by Oregon Tech, was one of 22 fellows in the inaugural class of LEAD STEM, a new national leadership development experience, as part of STEM Learning Ecosystems National Community of Practice Convening.

- Academic Strengthening: New degree programs launched included a customizable MS in Engineering; an MS in Applied Behavior Analysis (ABA); and a flexible BS in Professional Writing. ■ Academics were strengthened with new leadership, including a new Provost, Dean of Engineering, and Vice President for Research and Associate Provost. ■ The B.S. in Mechanical Engineering on the Portland Metro campus has been accredited by ABET and Northwest Commission on Colleges and Universities. ■ An expanded number of faculty were approved for sabbatical leave, with eight faculty supported in a variety of disciplines and projects. ■ The Summer Creativity Grant program was re-invigorated and supported for 15 faculty projects in new program development, strategic improvement and efficiency, professional development, and modification to existing programs/projects.

- Athletics Scores Big: All fourteen athletic teams carried a department GPA average of 3.31.■ 92 athletes received All-CCC Academic Honors, with 51 also receiving NAIA Academic Honors. ■ Men's and Women's Golf teams were Cascade Collegiate Conference regular season and Tournament Champions, and made it to nationals. ■ Women's Softball made it to NAIA National Tournament. ■ Track and Cross Country teams had a record year as both Cross Country teams finished at No. 10 nationally with the Men's Track and Field Team finishing ranked 9th, the highest in school history, led by Freshman Hunter Drops who captured the National NAIA Title in Javelin. ■ Men's Basketball reached the NAIA National Tournament. ■ Coaching honors included Golf Coach Jeff Corkill being named CCC Coach of the Year; and Men's Basketball Coach Justin Parnell received the honor of being one of the 30-Under-30 NAIA coaches recognized by the National Association of Basketball Coaches.

I am pleased to share with you the many major accomplishments at Oregon Institute of Technology ("Oregon Tech") this past year. I want to extend my sincere thanks to our colleagues and key stakeholders who contributed in so many ways to make this happen. Now having completed a full year of service as Oregon Tech's president, I have seen the impact that this unique polytechnic university has on our students, on our industry partners, and on Oregon's economy. It is time the value proposition that Oregon Tech presents to all of our stakeholders becomes evident to our entire state and beyond, and we are making that as one of our key objectives for the near future.

Nagi G. Naganathan
Oregon Tech President

Educating an Innovative Workforce

Oregon Tech's graduates are becoming more renowned as the value that they bring to industry is increasingly recognized at companies and organizations in Oregon, regionally, and even globally. That value was also recognized by Oregon's Governor and Legislature when they authorized $40 million in bonding authority for a new engineering complex on our Klamath Falls campus, the **Center for Excellence in Engineering and Technology** (CEET) last year. Adding to this endorsement of Oregon Tech's applied, professional practice pedagogy was a $2 million private, philanthropic match for the project by the Wendt Family, the founders of JELD-WEN. The CEET will be coordinated with the newly remodeled Cornett Hall engineering facility to create a unique teaching and learning ecosystem that will create access for more student-engineers and technologists. Maker spaces and other collaborative and interdisciplinary teaching and learning zones created in the Center will align with the entrepreneurial and interdisciplinary ethos that we continue to nurture at Oregon Tech.

The CEET will also strengthen our community in Klamath Falls. This investment will draw more industries, companies and college-educated professionals to the region, and a growing tax base that will bolster the city and the county for real, permanent growth and stability. It will also provide almost 300 jobs during the design and construction phase, which will have a large, positive impact in Klamath County and regionally.

Attracting New Investors

Because of the high return on investment realized by both our graduates and their employers, Oregon Tech has turned a corner in attracting organizations and donors to work with us in a number of different ways. Our latest ROI results show average starting salaries for our graduates of $58,000 – and a 5-year out average of $68,000. With our graduate success rate of 97 percent employed or in graduate school within six months of earning their degree, this further underscores how our in-demand Oregon Tech alumni are positively influencing the state and regional workforce and beyond. One company attracted by these results, Mindray, is working with Oregon Tech to supply brand new, high-performance medical imaging equipment to train our students on the newest technology available. Adding to our unique programs, no other university in the country has this type of sophisticated, and high cost, medical machinery so accessible to students; an access which turns our students into high value health care providers, ready to work on day-one at hospitals and care facilities nationally.

A Foundational Campaign for Oregon Tech's Future Besides the Wendt donation noted above, other donors have shown their confidence in Oregon Tech over the last year with high impact investments. Their philanthropic gifts over the past year have taken Oregon Tech far in meeting our goal of $4 million for the Campaign for Oregon Tech's Future. To date, we have secured more than $3 million in gifts and pledges, and are working with donors and funders on investing in labs and creation spaces in the new engineering complex; as well as funding faculty innovation and student programs aimed at preparing them for life and their future professions. Apart from the campaign, John and Lois Stilwell provided a substantial portion of the new $1+ million softball field upgrades. This new facility will attract more scholar-athletes who find their path to higher education through sports. It will also enable the university to host tournaments and events, spotlighting Oregon Tech for future students, their parents and others, creating new stakeholders who engage with us in diverse ways. Thanks also to the DeArmond Foundation for supporting Oregon Tech's launch the DeArmond Manufacturing Fellows Program. Five students from Oregon now have the opportunity to pursue a baccalaureate degree program at Oregon Tech with fully paid tuition and fees, and cooperative experiences, including stipends, with one of the Oregon Manufacturing Innovation Center Research and Development (OMIC R&D) industry members.

Growing our Role as Industry's University

Oregon Tech has a bold vision for our future. During the next decade, we will become an established global leader among polytechnic institutions, enjoying a reputation as 'industry's university' and nurturing the best of professionals for engineering, health, business, and technology fields, while emphasizing hands-on undergraduate and graduate education and applied research. Everything that the university is currently building will help us fully realize our academic and enrollment goals of being a destination of choice for distinctive professionals.

We want industries to see Oregon Tech as their university. I am using 'Industry' as a generic term here. It could be an engineering industry, a medical center, or it could be another type of business entity. We are extending ourselves in ways so when industry are looking for the best, Oregon Tech must be one of the first universities that comes to mind, because they know about our unique applied education model that has proven results in the workplace.

Oregon Tech is building programs and partners, and connecting our faculty and students to the innovation ecosystems of these industries, through our applied research. With Sky Lakes Medical Center and Oregon Health and Science University, for example, we are partnering on the Rural Health Initiative so that we are educating a highly skilled workforce that has the expertise and the desire to work in rural communities like Klamath Falls. We have taken the lead on an exciting partnership with Boeing and 15 other major manufacturers, as well as Oregon State University and Portland State University, to help realize the Oregon Manufacturing Innovation Center Research and Development (OMIC R&D). This partnership provides our students and faculty in our College of Engineering, Technology, and Management a chance to work with industry to solve real R&D problems that they define, advancing their applied research expertise and networking in and out of the classroom. Located in Scappoose, Oregon Tech is the landlord of the OMIC R&D facility as well as its operations host, with our faculty and staff engaged at every level, and under the leadership of a Board of Governors made up of OMIC R&D partners.

Centers of Excellence, Exploration and Service Break New Ground

Learning does not just happen in traditional classroom settings. At Oregon Tech we now have a portfolio of Centers that are engaged in extending our programmatic expertise, research and community engagement – all the while getting our students directly involved for their own learning experiences. Examples include:

1. **Oregon Renewable Energy Center**, which received $500K in funding from the state last year. OREC meets a critical gap in technology development and applied research across the renewable energy industry, using unique labs and facilities run by distinguished, industry-aware faculty.
2. **Population Health Research Center** is a large component of preparing our Population Health Management degree students for professional practice. Oregon Tech is pioneering an inter-disciplinary approach to educating students for the new wave of health care needs and population health. This includes experiences deeply integrated with the community through research contracts completed by students under the guidance of our innovative faculty, in a shared, dynamic maker-space in downtown Klamath Falls.
3. **Cyber Defense Center at Oregon Tech** uses a teaching hospital model to develop cyber security experts from our student "residents." The Center contracts with small and mid-size organizations, with students completing contract work under the tutelage of professionals and faculty "doctors" to address the shortage of cyber experts in the workforce.
4. **Behavior Improvement Group (BIG)** is a new clinic in which our Applied Behavior Analysis and related programs' students get clinical experience in therapies related to behavioral issues such as autism. Located in the Klamath Falls community, BIG addresses the shortage in behavioral therapists with "on the job" training for students, and affordable care for youth and families in the region.
5. **Dental Hygiene Clinics** in both Salem and Klamath Falls provide low-cost services to clients such as seniors, veterans, youth and others without adequate insurance coverage. High quality, low cost care gives our students invaluable experience under the supervision of a stellar set of faculty professionals.

Helping to ensure the success of all of these Centers, Oregon Tech hired several new and advanced existing academic professionals during the year to strengthen our programs, engagement and operations. This included a new Provost, new Dean of Engineering, new Vice President for Research and Associate Provost; and an Associate Vice President for Strategic Enrollment Management.

Building a Future of Innovation and Excellence

A more recent highlight of the past year was welcoming Oregon's Governor, the Honorable Kate Brown, as the keynote speaker at the 2018 June Commencement in Klamath Falls; and welcoming hundreds of guests to Oregon Tech's Klamath Falls campus during my Investiture that our Board of Trustees sponsored. We enjoy an amazing circle of colleagues, supporters and friends who are helping extend our reputational capital and "spread the word" about our unique, high-value polytechnic university. On behalf of all of us at Oregon Tech, thanks to everyone for supporting our students in their journey toward in-demand degrees and bright futures. Go Owls!

Nagi G. Naganathan

Nagi G. Naganathan, Ph.D., ASME fellow
President

Oregon TECH
Oregon Institute of Technology

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CliftonLarsonAllen LLP
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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 Oregon Tech (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2018 and 2017, 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 audits. We did not audit the 2018 and 2017 financial statements of the Oregon Tech Foundation (the Foundation), which represents 100 percent of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2018 and 2017, 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.

A member of Nexia International

Emphasis of Matter

During fiscal year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the University reported a restatement for the change in accounting principle (see Note 1.Y to the financial statements). As of July 1, 2017, the University's net position was restated to reflect the impact of this adoption. Fiscal year 2017 was not restated for this change in accounting principle due to the fact that information was not available to the University to restate net position as of July 1, 2016. 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 on pages 10 through 19, the Schedule of Oregon Tech's Contributions - Public Employees Retirement System, the Schedule of Oregon Tech's Proportionate Share of the Net Pension Asset/Liability, the Schedule of Oregon Tech's Proportionate Share of the Total PEBB OPEB Liability, Schedule of Oregon Tech's Proportionate Share Net PERS RHIA OPEB Liability/Asset, Schedule of Oregon Tech's PERS RHIA OPEB Employer Contribution, Schedule of Oregon Tech's Proportionate Share Net PERS RHIPA OPEB Liability, and Schedule of Oregon Tech's PERS RHIPA Employer Contribution listed as Required Supplementary Information 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Message from the President is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, 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 solely 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 the effectiveness of the University's 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 20, 2018

For the Year Ended June 30, 2018 (dollars in thousands)

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Oregon Institute of Technology (Oregon Tech)/(University) for the fiscal year ended June 30, 2018 with comparative data for the fiscal years ended June 30, 2017 and June 30, 2016. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and footnotes.

ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT SUMMARY:

	2018	2017	2016	2015	2014
Oregon Tech	**3,330**	3,299	3,159	2,983	2,993

Understanding the Financial Statements

The MD&A focuses on Oregon Tech as a whole and is intended to foster a greater understanding of Oregon Tech'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 Auditors' 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 Oregon Tech's 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 Oregon Tech owes to vendors, and net position delineated based upon their availability for future expenditures.

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

Statement of Cash Flows (SCF) provides information about Oregon Tech'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 Oregon Tech 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 Oregon Tech financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of Oregon Tech'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.

Financial Summary

The University's financial position has improved over the past two years. The increase to Net Position as of June 30, 2018 was initially \$3,944. However, the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2018 resulted in a decrease to SOU's net position of \$767, for an increase to ending net position of \$3,177. Net Position as of June 30, 2017 increased \$3,543 over the prior year. The largest increase to Net Position in 2018 was to the Net Investment in Capital Assets, which increased \$6,996. The 2018 Unrestricted Net Position decreased \$1,917 due largely to changes to the Net Pension Liability, Other Postemployment Benefit (OPEB) Liability, and their respective related deferred items in 2018.

The largest increase to Net Position in 2017 was to the Net Investment in Capital Assets, which increased \$4,298. The 2017 Unrestricted Net Position decreased \$1,277 due to changes to the Net Pension Liability and other employment related liabilities in 2017, which decreased Unrestricted Net Position by \$2,270. These decreases were offset by increases of \$993 in business activities for budgeted and auxiliary operations.

A full discussion is included in the Statement of Net Position section below.

Statement of Net Position

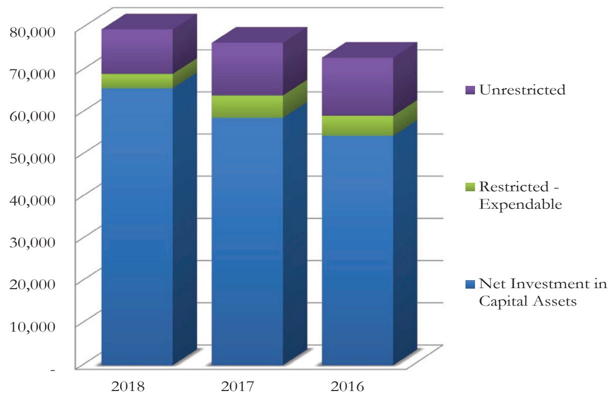
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of Oregon Tech's current financial condition. Changes in net position that occur over time indicate improvement or deterioration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

Condensed Statement of Net Position

As of June 30,	**2018**	2017	2016
Current Assets	**$ 17,267**	$ 15,407	$ 15,569
Noncurrent Assets	**25,988**	24,858	25,630
Capital Assets, Net	**103,088**	97,159	93,615
Total Assets	**$ 146,343**	$ 137,424	$ 134,814
Deferred Outflows of Resources	**$ 6,059**	$ 9,011	$ 1,483
Current Liabilities	**$ 15,726**	$ 12,447	$ 13,711
Noncurrent Liabilities	**56,688**	57,404	48,239
Total Liabilities	**$ 72,414**	$ 69,851	$ 61,950
Deferred Inflows of Resources	**$ 388**	$ 161	$ 1,467
Net Investment in Capital Assets	**$ 65,655**	$ 58,659	$ 54,361
Restricted - Expendable	**3,382**	5,284	4,762
Unrestricted	**10,563**	12,480	13,757
Total Net Position	**$ 79,600**	$ 76,423	$ 72,880

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2018, 2017 and 2016.



Comparison of fiscal year 2018 to fiscal year 2017

Net Investment in Capital Assets increased $6,996 or 12 percent.

- The net value of Capital Assets increased $5,929. See the discussion in the "Capital Assets and Related Financing" section of this MD&A and Note 5. "Capital Assets" for further details.
- The net value of Capital Assets is reduced by the Long Term Debt associated with the purchase of capital assets and increased by any unspent bond proceeds associated with debt. The Long Term Debt and unspent bond proceeds associated with capital assets decreased $1,067 due primarily to increased principal payments on long term debt and decreased unspent bond proceeds. Please see Note 9. "Long-Term Liabilities" for additional information.

Restricted Expendable Net Position decreased $1,902 or 36 percent.

- Net position relating to funds reserved for debt service decreased by $69. This is primarily related to a $57 decrease in funds held for debt service payments on student building fee funded projects. In addition, there was a $12 decrease in other funds held for debt service.
- Net position relating to the funding of capital projects decreased $239. The decrease is primarily due to the use of matching funds reserved for the renovation of Cornett Hall and of award funds used for the Geothermal project.
- Net position related to gifts, grants and contracts increased $36 due primarily to an increase in the amount of membership dues held to pay for projects at the Oregon Manufacturing Innovation Center (OMIC) property in Scappoose as well as a decrease in expenses made out of gift funds. These increases were offset by decreases in valuation reserves as well as funds for governmental grants and contracts.
- Net position related to student loans decreased $1,685 due primarily to the creation of a liability for Perkins Loans which are anticipated to be returned to the federal government due to the termination of the Title IV Program.
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulted in the creation of a new restricted expendable net position for the OPEB asset. The restricted expendable OPEB asset is equal to the net OPEB asset of $55 reported in noncurrent assets.

Unrestricted Net Position decreased $1,917, or 15 percent, due in large part to the following:

- Pension expenses for 2018 was $3,446.
- OPEB expenses for 2018 were $149.
- Increases due to Oregon Tech operations added $1,678 to net position.

See Note 10. "Unrestricted Net Position" for further details.

Comparison of fiscal year 2017 to fiscal year 2016

Net Investment in Capital Assets increased $4,298 or 8 percent.

- The net value of Capital Assets increased $3,544. See the discussion in the "Capital Assets and Related Financing" section of this MD&A and Note 5. "Capital Assets" for further details.
- The net value of Capital Assets is reduced by the Long Term Debt associated with the purchase of capital assets and increased by any unspent bond proceeds associated with debt. The Long Term Debt and unspent bond proceeds associated with capital assets decreased $754 due primarily to increased principal payments on long term debt, a decrease of debt principal due to a refunding, and decreased unspent bond proceeds. Please see Note 9. "Long-Term Liabilities" for additional information.

Restricted Expendable Net Position increased $522 or 11 percent.

- Net position relating to funds reserved for debt service decreased by $102. This is primarily related to a decrease in debt service payments on student building fee funded projects.
- Net position relating to the funding of capital projects increased $680. The increase is primarily due to matching funds reserved for the renovation of Cornett Hall.
- Net position related to gifts, grants and contracts remained relatively unchanged, with an increase of $14.
- Net position related to student loans decreased $70 due to a decrease in Perkins loan balances of $107, offset by increases to other loan program balances of $37.

Unrestricted Net Position decreased $1,277, or 9 percent, due in large part to the following:

- Pension expense for 2017 was $3,152.
- OPEB expense for 2017 was $21.
- Increases due to Oregon Tech operations added $1,896 to net position.

See Note 10. "Unrestricted Net Position" for further details.

Total Assets and Deferred Outflows of Resources

Total Assets increased $8,919 or 7 percent, during the year ended 2018. Total Assets increased $2,610, or 2 percent, during the year ended 2017. Deferred Outflows of Resources decreased $2,952 in 2018 and increased $7,528 in 2017.

Comparison of fiscal year 2018 to fiscal year 2017

Current Assets increased $1,860 or 12 percent.

- Current Cash and Cash Equivalents increased $1,633. The increase is primarily due to an increase in cash associated with the primary business activities of the University. This increase was offset by more cash held as investments at year-end.
- Collateral from Securities Lending increased $570.
- Accounts Receivable decreased $616 primarily due to decreases to accounts receivable for OMIC membership dues and for state, other government, and private grants and contracts. These decreases were mainly offset by increases to accounts receivable for capital construction grants and gifts and to accounts receivable for student tuition and fees.
- Current Notes Receivable decreased $29. Current notes receivable for Perkins Loans decreased $35, while the allowance for these notes also decreased $20; leaving a net decrease to current notes receivable due to the Perkins Loan program of $15. Current notes receivable for institutional and other student loans decreased by $14.
- Inventories in storerooms remained constant.
- Prepaid Expenses increased $302 primarily due to an increase in prepaid general expenses in budgeted operation funds.

Noncurrent Assets increased $7,059 or 6 percent.

- Noncurrent Cash increased $74 due mainly to an increase in cash being held as investments at year end of $51. In addition, cash held for construction projects increased $13, and cash held for student building fee funds increased $10.
- Investments increased $934 due primarily to an increase in the amount of cash being converted to investments of $964, mainly offset by a decrease in gains on investments of $35.
- Noncurrent Notes Receivable increased $67. Noncurrent notes receivable for Perkins Loans decreased $60, while the allowance for these notes also decreased $87; leaving a net increase to noncurrent notes receivable due to the Perkins Loan program of $27. Noncurrent notes receivable for institutional and other student loans increased by $40.
- Oregon Tech recorded a net OPEB asset of $55 in 2018 due to the implementation of GASB Statement No. 75. See Note 15. "Other Postemployment Benefits" for additional information on this change.
- Capital Assets additions of $11,278 were offset by additions to accumulated depreciation of $5,316 and net retirements of $33, which resulted in an increase in the net value of Capital Assets of $5,929. See "Capital Assets" in this MD&A and Note 5. "Capital Assets" for additional information relating to these variances.

Deferred Outflows of Resources decreased $2,952 or 33 percent due net decreases related to changes in the reporting of pension deferrals of $3,092, offset by deferrals for OPEB of $140. Also see Note 6. "Deferred Inflows and Outflows of Resources" for additional detail on these changes.

Comparison of fiscal year 2017 to fiscal year 2016

Current Assets decreased $162 or 1 percent.

- Current Cash and Cash Equivalents decreased $434. The decrease is primarily due to a decrease in cash associated with the primary business activities of the University. This decrease was offset by less cash held as investments at year-end as well as increases in cash held for student loans and cash held for repair and replacement.
- Collateral from Securities Lending decreased $604.
- Accounts Receivable increased $2,135 due to increases across most categories. The largest increases included a $746 increase to accounts receivable for capital construction gifts; a $552 increase in other receivables, which includes receivables for third party contracts; and a $393 increase in accounts receivable for student tuition and fees.
- Current Notes Receivable increased $36.
- Inventories in storerooms increased $60.
- Prepaid Expenses decreased $1,355 primarily due to a decrease in prepaid Direct Loans caused by timing differences in the application of payments on student accounts for the summer term.

Noncurrent Assets increased $2,772 or 2 percent.

- Noncurrent Cash decreased $341 due mainly to decreases in cash held for construction projects of $1,366 and student building fee funds of $111. These decreases were offset by less cash being held as investments at year end.
- Investments decreased $605 due primarily to a decrease in the amount of cash being converted to investments of $7,564 as well as a decrease in both unrealized and realized gains on investments. These decreases were offset by the establishment of a board designated quai-endowment in the amount of $7,500.
- Noncurrent Notes Receivable increased $174 primarily due to a increase in notes receivable for federal Perkins loans of $147.
- Capital Assets additions of $8,724 were offset by additions to accumulated depreciation of $5,011 and net retirements of $169, which resulted in a increase in the net value of Capital Assets of $3,544. See "Capital Assets" in this MD&A and Note 5. "Capital Assets" for additional information relating to these variances.

Deferred Outflows of Resources increased $7,528 or 508 percent due in full to net increases related to changes in the reporting of pension deferrals. Also see Note 6. "Deferred Inflows and Outflows of Resources" for additional detail on these changes.

Total Liabilities and Deferred Inflows of Resources

Total Liabilities increased $2,563 or 4 percent during the year ended 2018. Total Liabilities increased $7,901 or 13 percent during the year ended 2017. Deferred Inflows of Resources increased $227 or 141 percent in 2018 and decreased $1,306 or 89 percent in 2017.

For the Year Ended June 30, 2018 (dollars in thousands)

Comparison of fiscal year 2018 to fiscal year 2017

Current Liabilities increased $3,279 or 26 percent.

- The current portion of Long-Term Liabilities increased by $423 due primarily to the addition of a $310 current liability for the impending termination of the Perkins Loan program. In addition, the current portion of compensated absence liability increased $163. See Note 1.Z. "Perkins Loan Program Termination" and Note 9. "Long-Term Liabilities" for additional information on these changes.
- Accounts Payable and Accrued Liabilities increased $2,190. The increase was seen across most categories with the largest increase coming from payables for services and supplies. Other large increases were to payables for payments to various payroll benefit vendors and to contract retainage payables. See Note 7. "Accounts Payable and Accrued Liabilities" for details.
- Unearned Revenue increased by $116 due primarily to increased prepaid tuition and fees.
- Deposits decreased $20.
- Obligations Under Securities Lending increased $570.

Noncurrent Liabilities decreased $716 or 1 percent.

- Long-Term Liabilities decreased $294 mainly due to a decrease in contracts payable to the State of $1,529. The primary offset to the decrease was the establishment of a liability for the termination of the Perkins loan program with a noncurrent portion of $1,393. See "Debt Administration" in this MD&A, Note 1.Z. "Perkins Loan Program Termination" and Note 9. "Long-Term Liabilities" for additional information on these changes.
- The Net Pension Liability decreased $1,291. See Note 14. "Employee Retirement Plans" for further details.
- The OPEB Liability increased $869 due primarily to the implementation of GASB Statement No. 75. See Note 15. "Other Postemployment Benefits" for additional information.

Deferred Inflows of Resources increased $227, or 141 percent, due to net changes in reporting for pension liabilities, which increased deferred inflows by $171, and deferred inflows related to OPEB liabilities of $56. See Note 6. "Deferred Inflows and Outflows of Resources" for additional detail.

Comparison of fiscal year 2017 to fiscal year 2016

Current Liabilities decreased $1,264 or 9 percent.

- The current portion of Long-Term Liabilities increased by $39 due primarily to the addition of a capital lease and increased principal payments due in the next fiscal year. See Note 9. "Long-Term Liabilities" for additional information on these changes.
- Accounts Payable and Accrued Liabilities increased $537. The increase was seen across most categories with the largest increase coming from payables for payroll benefits. The amount of payables in this category depends on the timing of payments made to the various benefit vendors. Other large increases were to payables for services and supplies and to salaries and wages payable due to the timing of payment for wages earned in fiscal year 2017. See Note 7. "Accounts Payable and Accrued Liabilities" for details.
- Unearned Revenue decreased by $1,224 due primarily to decreased direct student loans which were not yet distributed at June 30, 2017.
- Deposits decreased $12.
- Obligations Under Securities Lending decreased $6,04.

Noncurrent Liabilities increased $9,165 or 19 percent. A decrease of $1,798 in Long-Term Liabilities was offset by an increase to the Net Pension Liability of $10,942 as well as an increase in Net OPEB Liability of $21. See "Debt Administration" in this MD&A, Note 9. "Long-Term Liabilities", Note 14 "Employee Retirement Plans", and Note 15 "Other Postemployment Benefits" for further details.

Deferred Inflows of Resources decreased $1,306, or 89 percent, due to changes in reporting for pension liabilities, primarily changes in projected and actual earnings on pension plan investments. See Note 6. "Deferred Inflows and Outflows of Resources" for additional detail.

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

Due to the classification of certain revenues as nonoperating revenue, Oregon Tech 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 Oregon Tech:

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	2018	2017	2016
Operating Revenues	**$ 39,005**	$ 37,926	$ 34,590
Operating Expenses	**80,478**	75,017	70,548
Operating Loss	**(41,473)**	(37,091)	(35,958)
Nonoperating Revenues, Net of Expenses	**34,858**	35,540	36,494
Other Revenues	**10,559**	5,094	2,354
Special and Extraordinary Items	**-**	-	43,626
Increase in Net Position	**3,944**	3,543	46,516
Net Position, Beginning of Year	**76,423**	72,880	26,364
Change in Accounting Principle	**(767)**	-	-
Net Position, End of Year	**$ 79,600**	$ 76,423	$ 72,880

For the Year Ended June 30, 2018 (dollars in thousands)

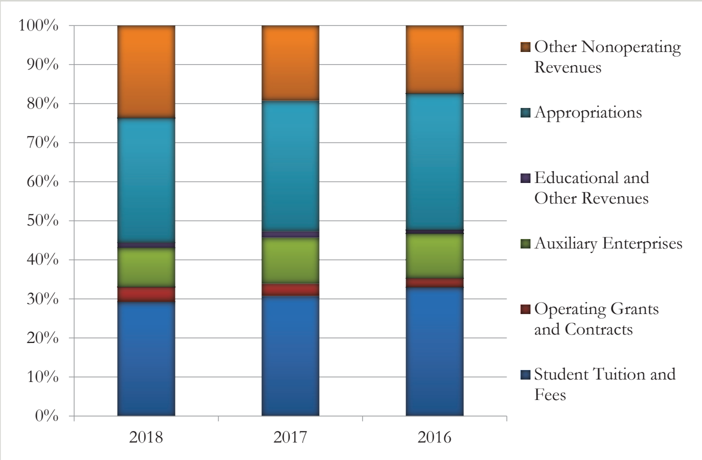
Total Revenues

Total Revenues increased $7,684, or 10 percent, in 2018 over 2017.

Total Operating and Nonoperating Revenues and Special Items

For the Year Ended June 30,	2018	2017	2016
Student Tuition and Fees	**$ 25,717**	$ 24,673	$ 23,947
Grants and Contracts	**3,340**	2,532	1,665
Auxiliary Enterprises	**8,855**	9,456	8,327
Educational and Other	**1,093**	1,265	651
Total Operating Revenues	**39,005**	37,926	34,590
Appropriations	**28,114**	26,845	25,365
Financial Aid Grants	**6,940**	7,060	6,810
Gifts	**3,253**	3,133	2,875
Investment Activity	**177**	339	762
Capital Grants and Gifts	**10,402**	4,904	2,165
Special and Extraordinary Items	**-**	-	43,626
Total Nonoperating and Other Revenues	**48,886**	42,281	81,603
Total Revenues	**$ 87,891**	$ 80,207	$ 116,193

Total Operating and Nonoperating Revenues



Operating Revenues

Operating Revenues increased $1,079 in 2018, or 3 percent, over 2017, to $39,005. Operating Revenues increased $3,336 in 2017, or 10 percent, over 2016, to $37,926.

Comparison of fiscal year 2018 to fiscal year 2017

Student Tuition and Fees increased $1,044, or 4 percent.

- Higher enrollment increased the total by $320 while higher fee rates accounted for an increase of $1,268.
- Fee remissions and scholarship allowances reduced tuition and fees by $534 more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $10, causing a reduction to tuition revenues.

Federal, State and Nongovernmental Grants and Contracts increased $808, or 32, percent due to the following:

- Federal grant and contract revenue decreased $60 primarily due to decreases in grant revenues received as a subrecipient of awards from the US Department of Labor as well as decreases in grants made possible by the National Science Foundation. The decreases were offset in large part by an increase in grants made through NASA.
- State and local grant activity increased $935 primarily due to increased grant revenues from the Oregon Business Development Department for work done in the OMIC facility. Increases in state and local grant revenue were offset mainly by decreases in grants from the Oregon Department of Education and the Oregon Talent Council.
- Nongovernmental grant activity decreased $67 primarily due to decreases in revenues from a commercial contract for dental operations.

Auxiliary Enterprise revenues decreased $601, or 6 percent, due mainly to the following:

- Housing and Dining revenues decreased $205 due primarily to decreased revenues from meter parking and casual guest income. These were mainly offset by increased dining card sales.
- Incidental fees for student centers increased $109.
- An insurance recovery made in 2017 caused a decrease to auxiliary revenues of $371.
- Revenue and reimbursements generated by the Bookstore decreased $141.

Educational Department Sales and Services revenues decreased $339, or 35 percent, mainly due to a decrease in membership dues received as part of a collaboration agreement.

Other Operating revenues increased $167, or 59 percent, due mainly to increases in reimbursements from outside entities, and miscellaneous other revenues.

Comparison of fiscal year 2017 to fiscal year 2016

Student Tuition and Fees increased $726, or 3 percent.

- Higher enrollment increased the total by $1,132 while lower fee rates accounted for a decrease of $11.
- Fee remissions and scholarship allowances reduced tuition and fees by $41 more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $354, causing a reduction to tuition.

Federal, State and Nongovernmental Grants and Contracts increased $867, or 52, percent due to the following:

- Federal grant and contract revenue increased $172 primarily due to an increase in grant revenues received as a subrecipient of awards from the US Department of Labor.
- State and local grant activity increased $966 primarily due to increased grant revenues from the Oregon Department of Education for the Regional STEM Hub and from the Oregon Employment Department Oregon Talent Council (OTC) for cybersecurity and autism training.
- Nongovernmental grant activity decreased $271 primarily due to decreases in revenues from a commercial contract for dental operations.

Auxiliary Enterprise revenues increased $1,129, or 14 percent, due mainly to the following:

- Student Health and Incidental Fee revenue increased $51.
- Housing and Dining revenues increased $737 due primarily to increased revenue for room and board.

For the Year Ended June 30, 2018 (dollars in thousands)

- An insurance recovery also increased auxiliary revenues by $371.
- Other rental income increased $162, with the largest increase in lease income.
- Revenue and reimbursements generated by the Bookstore decreased $93.
- Athletics revenue decreased $47 due primarily to decreased revenue for special events.

Educational Department Sales and Services revenues increased $668, or 214 percent, mainly due to membership dues received as part of a collaboration agreement.

Nonoperating and Other Revenues

The increase of $6,605, or 16 percent, during 2018 in Nonoperating Revenues is primarily due to increases in grants and gifts for capital assets and projects and government appropriations. The decrease of $39,322, or 48 percent, during 2017 in Nonoperating Revenues is primarily due to the recording of a special item in 2016. The special item was a change in entity due to Oregon Tech becoming an independent university and the removal of state paid debt from the University's books.

Comparison of fiscal year 2018 to fiscal year 2017

Government Appropriations increased $1,269, or 5 percent, due to an increase in state appropriations for Oregon Tech operations. See Note 13. "Government Appropriations" for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $120, or 2 percent, primarily due to decreases in the amount of Oregon Opportunity Grant funds.

Gifts increased $120, or 4 percent.

- Gifts from foundations, associations, and societies increased $257.
- Gifts from the Oregon Tech Foundation increased $14.
- Gifts from private individuals decreased $88.
- Gifts from commercial businesses decreased $63.

Investment Activity revenues decreased $162, or 48 percent due in large part to a larger loss on the sale of investments. See Note 11. "Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $5,498, or 112 percent, due primarily to increased grants from the State for projects funded by XI-Q bonds, including the utility corridor and storm drain project and the Center for Excellence in Engineering and Technology - Cornett Hall Renovation; Phase 1 project. These increases were primarily offset by decreases caused by the grant for the OMIC facility purchase and the gift of the perpetual access easement in 2017. See the 2017 to 2016 discussion for details on these items.

Comparison of fiscal year 2017 to fiscal year 2016

Government Appropriations increased $1,480, or 6 percent, due to an increase in State appropriations for Oregon Tech operations. See Note 13. "Government Appropriations" for additional information relating to changes in appropriations.

Financial Aid Grants increased by $250, or 4 percent, primarily due to an increased number of PELL grants awarded.

Gifts increased $258, or 9 percent.

- Gifts from private individuals increased $270.
- Gifts from commercial businesses increased $37.
- Gifts from the Oregon Tech Foundation increased $169.
- Gifts from foundations, associations, and societies decreased $218.

Investment Activity revenues decreased $423, or 56 percent. See Note 11. "Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $2,739, or 127 percent, due primarily to the following:

- Oregon Tech received a grant from the State for $2,500 to purchase the OMIC facility in Scappoose.
- Oregon Tech received a perpetual access easement as a gift in kind worth $420 for access to the OMIC facility.

Special Item - Change in Entity decreased $43,626 to zero as there were no special items to record.

Expenses

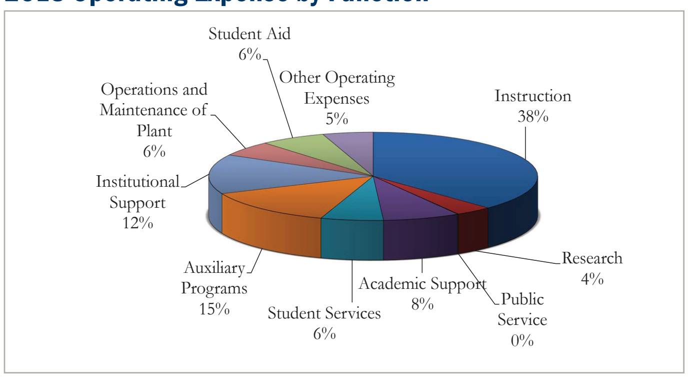
Operating Expenses

Operating expenses increased $5,461 in 2018, or 7 percent over 2017, to $80,478. Operating expenses increased $4,469 in 2017, or 6 percent over 2016, to $75,017. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Years Ended June 30,	**2018**	2017	2016
Instruction	$ 30,366	$ 28,721	$ 27,919
Research	2,908	2,018	849
Public Service	73	38	95
Academic Support	6,089	6,840	6,792
Student Services	4,932	4,729	4,412
Auxiliary Programs	10,774	10,682	10,291
Institutional Support	11,661	8,685	8,446
Operations and Maintenance of Plant	4,465	4,351	4,249
Student Aid	5,215	5,471	4,556
Other Operating Expenses	3,995	3,482	2,939
Total Operating Expenses	**$ 80,478**	$ 75,017	$ 70,548

2018 Operating Expense by Function



For the Year Ended June 30, 2018 (dollars in thousands)

The implementation of GASB Nos. 68 and 71 in 2015 and the implementation of GASB No. 75 in 2018 have had a profound impact on the operating expenses reported by Oregon Tech. The following tables show the effect of these statements on operating expenses across the functional classifications. The changes associated with recording components of the Net Pension Liability required by GASB 68 and 71 increased operating expenses by $1,972; while the changes associated with recording components of the OPEB Asset/Liability required by GASB 75 decreased operating expenses by $37. See Note 14. "Employee Retirement Plans" and Note 15. "Other Postemployement Benefits" for additional details.

The effect of GASB Nos. 68 and 75 on Expenses by Functional Classifications

For the Year Ended June 30, 2018	**as reported**	**without adjustments**	**difference**
Instruction	$ 30,366	$ 29,511	$ 855
Research	2,908	2,864	44
Public Service	73	72	1
Academic Support	6,089	5,886	203
Student Services	4,932	4,762	170
Auxiliary Programs	10,774	10,631	143
Institutional Support	11,661	11,296	365
Operations & Maintenance of Plant	4,465	4,312	153
Student Aid	5,215	5,215	-
Other Operating Expenses	3,995	3,994	1
Total Operating Expenses	**$ 80,478**	**$ 78,543**	**$ 1,935**

For the Year Ended June 30, 2017	as reported	without adjustments	difference
Instruction	$ 28,721	$ 27,809	$ 912
Research	2,018	1,994	24
Public Service	38	36	2
Academic Support	6,840	6,564	276
Student Services	4,729	4,535	194
Auxiliary Programs	10,682	10,507	175
Institutional Support	8,685	8,345	340
Operations & Maintenance of Plant	4,351	4,169	182
Student Aid	5,471	5,471	-
Other Operating Expenses	3,482	3,479	3
Total Operating Expenses	$ 75,017	$ 72,909	$ 2,108

For the Year Ended June 30, 2016	as reported	without adjustments	difference
Instruction	$ 27,919	$ 25,796	$ 2,123
Research	849	792	57
Public Service	95	92	3
Academic Support	6,792	6,151	641
Student Services	4,412	3,961	451
Auxiliary Programs	10,291	9,882	409
Institutional Support	8,446	7,654	792
Operations & Maintenance of Plant	4,249	3,828	421
Student Aid	4,556	4,556	-
Other Operating Expenses	2,939	2,932	7
Total Operating Expenses	$ 70,548	$ 65,644	$ 4,904

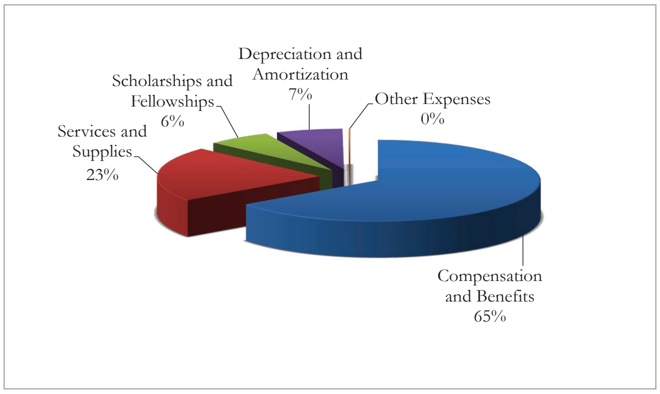
Due to the way in which expenses are incurred by Oregon Tech, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	**2018**	2017	2016
Compensation and Benefits	**$ 52,334**	$ 48,913	$ 47,962
Services and Supplies	**17,610**	15,573	13,234
Scholarships and Fellowships	**5,105**	5,491	4,644
Depreciation and Amortization	**5,316**	5,011	4,713
Other Expenses	**113**	29	(5)
Total Operating Expenses	**$ 80,478**	$ 75,017	$ 70,548

2018 Operating Expenses by Natural Classification



Comparison of fiscal year 2018 to fiscal year 2017

Compensation and Benefits costs increased $3,421, or 7 percent, primarily due to:

- Unclassified salaries increased $1,381; classified salaries increased $374; and wages for students and graduate teaching assistants increased $155.
- Costs for health and other personnel expenses increased $1,148.
- University paid employee moving expenses decreased $61.
- The pension expense recorded as a result of the required reporting for the Net Pension Liability increased by $294. See Note 14. "Employee Retirement Plans" for more information.
- The recorded OPEB expense increased by $128 primarily due to the change in reporting requirements from GASB No. 45 to GASB No. 75. See Note 1.L. "Other Postemployment Benefits (OPEB) Asset/Liability" and Note 15. "Other Postemployment Benefits" for additional information.

Services and Supplies expense increased $2,037, or 13 percent. This increase was mainly caused by an $1,095 increase in services and supplies for the University budgeted operations. In addition there were increases for services and supplies in the following areas:

- Gifts, grants, and contracts services and supplies increased $1,048.
- Services and supplies for renewal and replacement costs increased by $254.

These increases were largely offset by decreases in the following:

- Auxiliary programs services and supplies decreased $231.
- Services and supplies for non-capitalized construction costs decreased $131.

Scholarships and Fellowships expense decreased $386, or 7 percent, primarily due to a decrease in scholarships offered from funds which originated from foundations and other scholarship organizations of $145 and a decrease in stipends from the Oregon Opportunity Grant of $137. Fee remissions of $4,605 were reclassed to be recorded as reductions to Student Tuition and Fee Revenues. This is an increase in the amount removed of $204. These decreases were mainly offset by smaller increases in Pell Grant awards, athletic scholarships, scholarships from a Department of Transportation grant, and scholarships from the Oregon Tech Foundation.

Depreciation and Amortization expense increased $305, or 6 percent, primarily due to the addition of new personal and real property assets.

Other Operating Expenses increased $84 due primarily to an increase in the amount of Perkins Loans assigned to the federal government or canceled.

Comparison of fiscal year 2017 to fiscal year 2016

Compensation and Benefits costs increased $951, or 2 percent, primarily due to:

- Unclassified salaries increased $1,966; classified salaries increased $518; student wages decreased $94; and pay for graduate teaching assistants decreased $9.
- Costs for health and retirement benefits increased $1,135.
- The pension expense recorded as a result of the required reporting for the Net Pension Liability decreased by $2,796. See Note 14. "Employee Retirement Plans" for more information.

Services and Supplies expense increased $2,339, or 18 percent. This increase was mainly caused by a $1,057 increase in services and supplies for the University budgeted operations. In addition there were increases for services and supplies in the following areas:

- Gifts, grants, and contracts services and supplies increased $584.
- Services and supplies for non-capitalized construction costs increased by $404.
- Auxiliary programs services and supplies increased $313.

Scholarships and Fellowships expenses increased $847, or 18 percent, primarily due to an increase in Pell grants of $221 as well as increases in scholarships from foundations and other scholarship organizations of $255. Fee remissions of $4,401 were reclassed to be recorded as reductions to Student Tuition and Fee Revenues. This is a reduction in the amount removed of $314.

Depreciation and Amortization expense increased $298, or 6 percent, primarily due to the acquisition of the OMIC property in Scappoose.

Other Operating Expenses increased $34 due primarily to increased bad debt expenses for student loans.

Nonoperating Expenses

Nonoperating expenses increased $1,822, or 111 percent in 2018, as compared to 2017 and increased $2,518, or 289 percent in 2017 over 2016.

Comparison of fiscal year 2018 to fiscal year 2017

- **Gain (Loss) on Sale of Assets** went from a gain of $154 to a loss of $9, a net decrease of $163, due to the gain in 2017 from the sale of the president's residence and net losses on the disposal of fixed assets recorded in 2018.
- **Interest Expense** decreased $118 primarily due to a decrease in the amount of interest associated with capital construction liabilities.
- An expense of $1,703 was added in 2018 to record the impending return of Perkins Loan funds to the federal government as the process proceeds. See Note 1.Z. "Perkins Loan Program Termination" for additional information on this expense.

Comparison of fiscal year 2017 to fiscal year 2016

- **Gain (Loss) on Sale of Assets** decreased $3,020 due to the gain in 2016 from the sale of the Harmony Building.
- **Interest Expense** decreased $419 primarily due to a decrease in the amount of interest associated with capital construction liabilities.

Other Nonoperating Items

Comparison of fiscal year 2018 to fiscal year 2017

- **Other Nonoperating Items** decreased by $74. The change was in large part due to large transactions made in 2017 to record the return of capital for the Perkins Loan program and also to reflect a reduction of debt due to a refunding of underlying XI-F(1) bond debt by the State.

Comparison of fiscal year 2017 to fiscal year 2016

- **Other Nonoperating Items** increased by $83. Changes included an expense of $115 due to the return of capital for the Perkins Loan program. This was mainly offset by a reduction of debt due to a refunding of underlying XI-F(1) bond debt by the State which resulted in a net reduction in Oregon Tech's contracts payable to the State of $166.

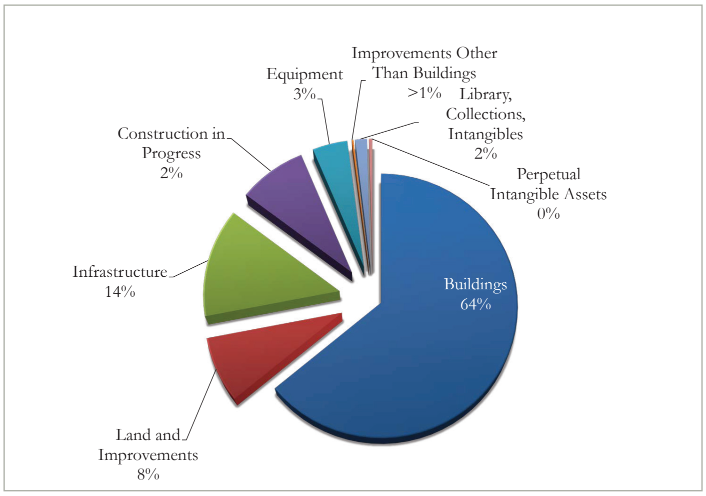
For the Year Ended June 30, 2018 (dollars in thousands)

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2018, Oregon Tech had $183,323 in capital assets, less accumulated depreciation of $80,235, for net capital assets of $103,088. At June 30, 2017, Oregon Tech had $174,043 in capital assets, less accumulated depreciation of $76,884, for net capital assets of $97,159.

2018 Capital Assets, Net - $103,088 thousand



Changes to Capital Assets

	2018	2017	2016
Capital Assets, Beginning of Year	**$ 174,043**	$ 165,616	$ 163,931
Add: Purchases/Construction	**11,278**	8,724	4,107
Less: Retirements/ Disposals/Adjustments	**(1,998)**	(297)	(2,422)
Total Capital Assets, End of Year	**183,323**	174,043	165,616
Accum. Depreciation, Beginning of Year	**(76,884)**	(72,001)	(68,674)
Add: Depreciation Expense	**(5,316)**	(5,011)	(4,713)
Less: Retirements/ Disposals/Adjustments	**1,965**	128	1,386
Total Accum. Depreciation, End of Year	**(80,235)**	(76,884)	(72,001)
Total Capital Assets, Net, End of Year	**$ 103,088**	$ 97,159	$ 93,615

Capital additions totaled $11,278 for 2018, $8,724 for 2017, and $4,107 for 2016.

Capital Asset additions for 2018 included:

- $999 for equipment, which includes equipment to update technology, athletic programs, and operations and management.
- Equipment CIP of $113 is primarily related to compressor upgrades, oscilloscopes, and furniture for the renovation of Cornett Hall.
- $7,603 for building CIP upgrades and repair, including $6,660 renovations to Cornett Hall. Projects amounting to $553 were completed in 2018.
- Additions of $2,437 were made for Infrastructure CIP projects. Infrastructure projects which were completed in 2018 totaled $2,026 and included $781 for the College Union storm drain and $550 for the rehabilitation of wells.

Net Capital Asset Retirements totaled $33 for 2018, $169 for 2017, and $2,422 for 2016. During 2018, retirements were primarily related to equipment which was, for the most part, fully depreciated.

During 2018, accumulated depreciation increased $3,351 due to depreciation of existing assets, which was offset by the disposal of depreciated equipment.

See Note 5. "Capital Assets" for additional information.

Debt Administration

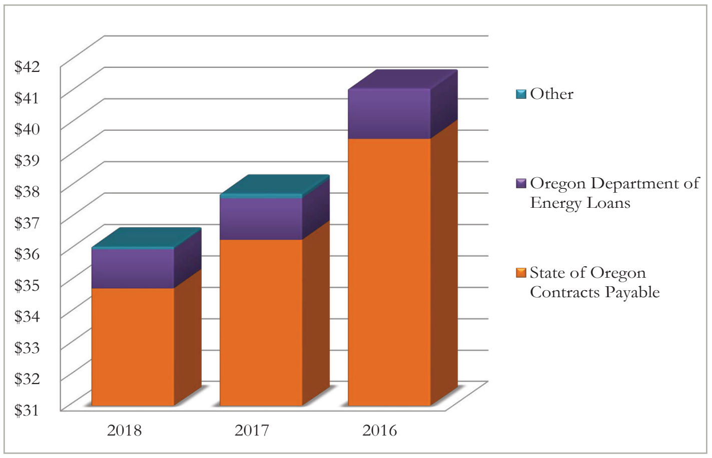
During 2018, long-term debt held by Oregon Tech decreased by $1,550, or 4 percent, from $39,343 to $37,793.

- Long term debt decreased $1,563 due to principal payments on contracts payable to the State of Oregon.
- Long term contracts payable to the State also increased $17 due to net changes in accreted interest.
- Long term debt also decreased $100 due to principal payments on Oregon Department of Energy loans.
- A new capital lease increased long term debt $135 and payments on capital leases decreased the amount by $39.

During 2017, long-term debt held by Oregon Tech decreased by $1,793, or 4 percent, from $41,136 to $39,343.

- Long term debt decreased $1,371 due to principal payments on contracts payable to the State of Oregon.
- Long term contracts payable to the State decreased $166 due to refunding of underlying XI-F(1) bond debt by the State.
- Long term contracts payable to the State also decreased $130 due to net changes in accreted interest.
- Long term debt also decreased $175 due to principal payments on Oregon Department of Energy loans.
- A new capital lease increased long term debt $49.

Long-term Debt



ECONOMIC OUTLOOK

Funding for the major activities of Oregon Tech come from a variety of sources, including tuition and fees, financial aid programs, state and federal appropriations, grants, private and government contracts, donor gifts, and investment earnings. Among these many sources, student tuition and fees, net of allowances, and government appropriations are by far the largest, representing 29 percent and 32 percent, respectively, and combining for 61 percent of the combined operating and non-operating revenues during the year ended June 30, 2018. The third largest revenue source, Auxiliary Enterprise revenues, represents 10 percent of operating and non-operating revenues and, like tuition, is strongly correlated with enrollment.

State funding for higher education in Oregon has consistently lagged behind those of other states on a per student basis and has been highly volatile, suffering significant and long-term disinvestment since the early 1990's with minor reinvestments during periods of state revenue growth. That being said, Oregon Tech has a proportionally larger allocation of state resources than do many other public universities in the state due to its unique and highly focused Science, Technology, Engineering, and Math (STEM) + Health program mix. Reliance on state funding, though critical to Oregon Tech's continued success, creates significant strategic risk to the university as it is, by nature, highly volatile and can decline with little warning.

The State of Oregon heads into the 2019-2021 biennia with greater revenue uncertainty than in the prior several biennia. The state economist is openly discussing the possibility of recession in 2020 stemming from various sources including headwinds from federal fiscal policy and increasingly restrictive monetary policy. The popular press is rife with discussion of risks related to global trade.

The state of Oregon's Higher Education Coordinating Commission (HECC) utilizes a structured funding allocation system, the Student Success and Completion Model (SSCM), to distribute state resources to the seven public universities. The SSCM's proportional allocation is based primarily on the number and type of degree granted to resident students and to a lesser extent on enrollment and other programmatic factors. Since the implementation of the SSCM Oregon Tech has performed well under the model's criteria. However, fundable enrollment and completions at Oregon Tech bucked several years of positive trends and declined during the 2017-2018 Academic Year which may impact funding levels going forward if the trend continues.

Many of Oregon Tech's marque programs in engineering and engineering technology, allied health, business and management are equipment intensive and some require relatively low student-to-faculty ratios to maintain accreditation. These programs require large fixed investments in equipment and have limited capacity to be scaled without also increasing labor costs concomitantly. Contractual restrictions further limit the ability of the University to reduce its expense base quickly.

Oregon Tech is mandated by statute to participate in two employee benefit areas. The first concerns retirement benefits and includes a defined retirement benefit program managed by the Public Employee Retirement System (PERS) and a 401(a) plan managed by the public universities. The second concerns health, dental and other employment related benefits which are managed by the Public Employee Benefit Board (PEBB). The PEBB and PERS benefit packages are both very expensive programs and have little cost sharing with employees. As is typical with many legacy public retirement systems across the country PERS has a significant unfunded liability (described in Note 14) which will continue to weigh against the state's budget and impact Oregon Tech's internal cost equation.

Over the past several years Oregon Tech has completed a phase-in of differential tuition for certain high-cost and high-return programs including engineering, management, and health related disciplines. This has contributed to increased tuition revenue overall and a better match between high cost programs and their tuition rates. In academic year 2018, tuition rates increased 5 percent and most differential tuition rates increased by 25 percent. For the year ending June 30, 2018, overall student tuition and fees revenue, net of allowances increased 4 percent over the prior year. Oregon Tech has continued investment and reorganization efforts focused on strategic enrollment management with a goal of boosting overall enrollment and completions and thus topline revenue. This effort has increased the total resources, institutional commitment and focus on enrollment management, retention, and the pipeline of students into, through and out of Oregon Tech. It is expected that it will take several years for these efforts to fully mature.

Oregon Tech has recently been successful in gaining additional operating funding, both recurring and one time from the legislature for our applied research and industry oriented centers. The state has also supported significant capital investment at the university, including a $42 million investment in the Center for Excellence in Engineering and Technology as well as the completion of Phase II of the Cornett Hall renovation. These investments show increased prominence and strategic importance of Oregon Tech to the state, region and our industry partners.

Although Oregon Tech is exposed to many financial and strategic risks, some within and some outside of the institution's control, it remains financially healthy and enjoys growing recognition and market position. As the Northwest's only polytechnic university, it continues to see strong student demand and is actively sought by government, industry, and other educational partners.

As of June 30,	University 2018		University 2017	
	(In thousands)			
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	$	**9,389**	$	**7,756**
Collateral from Securities Lending (Note 2)		**1,207**		**637**
Accounts Receivable, Net (Note 3)		**5,460**		**6,076**
Notes Receivable, Net (Note 4)		**375**		**404**
Inventories		**178**		**178**
Prepaid Expenses		**658**		**356**
Total Current Assets		**17,267**		**15,407**
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		**935**		**861**
Investments (Note 2)		**22,696**		**21,762**
Notes Receivable, Net (Note 4)		**2,302**		**2,235**
Net OPEB Asset (Note 15)		**55**		**-**
Capital Assets, Net of Accumulated Depreciation (Note 5)		**103,088**		**97,159**
Total Noncurrent Assets		**129,076**		**122,017**
Total Assets	$	**146,343**	$	**137,424**
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	$	**6,059**	$	**9,011**
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 7)	$	**7,948**	$	**5,758**
Deposits		**74**		**94**
Obligations Under Securities Lending (Note 2)		**1,207**		**637**
Current Portion of Long-Term Liabilities (Note 9)		**3,386**		**2,963**
Unearned Revenues		**3,111**		**2,995**
Total Current Liabilites		**15,726**		**12,447**
Noncurrent Liabilities				
Long-Term Liabilities (Note 9)		**39,526**		**39,820**
Net Pension Liability (Note 14)		**15,678**		**16,969**
OPEB Liability (Note 15)		**1,484**		**615**
Total Noncurrent Liabilities		**56,688**		**57,404**
Total Liabilities	$	**72,414**	$	**69,851**
DEFERRED INFLOWS OF RESOURCES (Note 6)	$	**388**	$	**161**
NET POSITION				
Net Investment in Capital Assets	$	**65,655**	$	**58,659**
Restricted For:				
Expendable:				
Gifts, Grants and Contracts		**830**		**794**
Student Loans		**1,543**		**3,228**
Capital Projects		**847**		**1,086**
Debt Service		**107**		**176**
OPEB Asset		**55**		**-**
Unrestricted (Note 10)		**10,563**		**12,480**
Total Net Position	$	**79,600**	$	**76,423**

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

	Component Unit			
As of June 30,		**2018**		2017
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**1,632**	$	1,247
Accounts Receivable		**3**		455
Accounts Receivable - due from University		**-**		23
Prepaid Expenses		**12**		32
Investments		**25,336**		23,931
Split-Interest Agreements		**683**		676
Unconditional Promises to Give		**3,161**		89
Other Assets		**371**		371
Total Assets	**$**	**31,198**	$	26,824
LIABILITIES				
Accounts Payable and Accrued Expenses	**$**	**140**	$	96
Liabilities Under Split-Interest Agreements		**82**		91
Funds Held for Distribution		**1,065**		903
Total Liabilities	**$**	**1,287**	$	1,090
NET ASSETS				
Unrestricted	**$**	**9,317**	$	9,489
Temporarily Restricted		**10,123**		6,133
Permanently Restricted		**10,471**		10,112
Total Net Assets	**$**	**29,911**	$	25,734
Total Liabilities and Net Assets	**$**	**31,198**	$	26,824

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

Statements of Revenues, Expenses and Changes in Net Position-Oregon Institute of Technology

For the Years Ended June 30,	University 2018	2017
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $8,373 and $7,828, Note 1.T.)	**$ 25,717**	$ 24,673
Federal Grants and Contracts	**786**	846
State and Local Grants and Contracts	**2,309**	1,374
Nongovernmental Grants and Contracts	**245**	312
Educational Department Sales and Services	**641**	980
Auxiliary Enterprises Revenues (Net of Allowances of $435 and $449, Note 1.T.)	**8,855**	9,456
Other Operating Revenues	**452**	285
Total Operating Revenues	**39,005**	37,926
OPERATING EXPENSES		
Instruction	**30,366**	28,721
Research	**2,908**	2,018
Public Service	**73**	38
Academic Support	**6,089**	6,840
Student Services	**4,932**	4,729
Auxiliary Programs	**10,774**	10,682
Institutional Support	**11,661**	8,685
Operation and Maintenance of Plant	**4,465**	4,351
Student Aid	**5,215**	5,471
Other Operating Expenses	**3,995**	3,482
Total Operating Expenses (Note 12)	**80,478**	75,017
Operating Loss	**(41,473)**	(37,091)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 13)	**27,957**	26,655
Financial Aid Grants	**6,940**	7,060
Gifts	**3,253**	3,133
Investment Activity (Note 11)	**177**	339
Gain (Loss) on Sale of Assets, Net	**(9)**	154
Interest Expense	**(1,729)**	(1,847)
Perkins Loan Program Liquidation	**(1,703)**	-
Other Nonoperating Items	**(28)**	46
Net Nonoperating Revenues	**34,858**	35,540
Loss Before Other Nonoperating Revenues	**(6,615)**	(1,551)
Capital and Debt Service Appropriations (Note 13)	**157**	190
Capital Grants and Gifts	**10,402**	4,904
Total Other Nonoperating Revenues	**10,559**	5,094
Increase In Net Position After Other Nonoperating Revenues	**3,944**	3,543
NET POSITION		
Beginning Balance	**76,423**	72,880
Change in Accounting Principle (Note 1.Y.)	**(767)**	-
Beginning Balance, Restated	**75,656**	72,880
Ending Balance	**$ 79,600**	$ 76,423

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

For the Years Ended June 30,		Component Unit 2018		2017
		(in thousands)		
CHANGE IN UNRESTRICTED NET ASSETS				
REVENUES				
Contributions and Grants	**$**	**210**	$	772
In-Kind Donations		**117**		1
Investment Income		**609**		838
Impairment on Partnership		**(500)**		-
Other		**5**		7
Change in Donor Intent		**28**		-
Net Assets Released From Restrictions		**1,216**		851
Total Revenues		**1,685**		2,469
EXPENSES				
Program Services		**1,261**		839
Management and General		**531**		415
Fundraising		**20**		21
Change in Reserve for Uncollectible Pledges		**45**		8
Total Expenses		**1,857**		1,283
Increase (Decrease) In Unrestricted Net Assets		**(172)**		1,186
Beginning Balance, Unrestricted Net Assets		**9,489**		8,303
Ending Balance, Unrestricted Net Assets	**$**	**9,317**	$	9,489
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS				
REVENUES				
Contributions and Grants		**4,218**		1,422
In-Kind Donations		**222**		15
Investment Income		**832**		1,377
Other		**26**		14
Change in Donor Intent		**(128)**		-
Net Assets Released From Restrictions		**(1,180)**		(851)
Increase In Temporarily Restricted Net Assets		**3,990**		1,977
Beginning Balance, Temporarily Restricted Net Assets		**6,133**		4,156
Ending Balance, Temporarily Restricted Net Assets	**$**	**10,123**	$	6,133
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS				
REVENUES				
Contributions and Grants		**280**		999
Change in Value of Split Interest Agreements		**16**		49
Change in Donor Intent		**100**		-
Net Assets Released From Restrictions		**(37)**		-
Increase In Permanently Restricted Net Assets		**359**		1,048
Beginning Balance, Permanently Restricted Net Assets		**10,112**		9,064
Ending Balance, Permanently Restricted Net Assets	**$**	**10,471**	$	10,112
Beginning Balance, Total Net Assets		**25,734**		21,523
Total Change in Net Assets		**4,177**		4,211
Ending Balance, Total Net Assets	**$**	**29,911**	$	25,734

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

For the Years Ended June 30,		University 2018		2017
		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	**$**	**25,724**	$	24,402
Grants and Contracts		**3,896**		1,566
Educational Department Sales and Services		**1,376**		120
Auxiliary Enterprises Operations		**8,929**		9,491
Payments to Employees for Compensation and Benefits		**(49,833)**		(46,385)
Payments to Suppliers		**(16,378)**		(15,175)
Student Financial Aid		**(5,105)**		(5,491)
Other Operating Receipts		**299**		531
Net Cash Used by Operating Activities		**(31,092)**		(30,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations		**27,957**		26,655
Financial Aid Grants		**6,912**		6,940
Other Gifts and Private Contracts		**3,260**		3,133
Net Agency Fund Receipts (Payments)		**(29)**		59
Net Cash Provided by Noncapital Financing Activities		**38,100**		36,787
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt Service Appropriations		**157**		190
Capital Grants and Gifts		**9,797**		3,727
Sales of Capital Assets		**24**		323
Purchases of Capital Assets		**(11,061)**		(8,174)
Interest Payments on Capital Debt		**(1,776)**		(1,951)
Principal Payments on Capital Debt		**(1,685)**		(1,680)
Net Cash Used by Capital and Related Financing Activities		**(4,544)**		(7,565)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments		**(1,498)**		605
Income on Investments and Cash Balances		**741**		339
Net Cash Provided (Used) by Investing Activities		**(757)**		944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,707**		(775)
CASH AND CASH EQUIVALENTS				
Beginning Balance		**8,617**		9,392
Ending Balance	**$**	**10,324**	$	8,617

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

	University			
For the Years Ended June 30,		**2018**		2017
	(In thousands)			
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	**$**	**(41,473)**	$	(37,091)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense		**5,316**		5,011
Changes in Assets and Liabilities:				
Accounts Receivable		**1,132**		(1,389)
Notes Receivable		**(38)**		(210)
Inventories		**-**		(60)
Prepaid Expenses		**(302)**		277
Accounts Payable and Accrued Liabilities		**2,237**		575
Long-Term Liabilities		**(24)**		34
Deposits		**9**		-
Unearned Revenue		**116**		(217)
Net Pension Liability, OPEB Asset/(Liability), and Related Deferrals		**1,935**		2,129
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(31,092)**	$	(30,941)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Contributed Capital Assets	**$**	**82**	$	431
Increase in Fair Value of Investments Recognized as a Component of Investment Activity		**(565)**		-
Net Reduction of Contracts Payable to the State		**-**		(166)

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

1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Oregon Institute of Technology (Oregon Tech)/(University) is governed by the Board of Trustees of Oregon Institute of Technology (Board), a citizen board appointed by the Governor with confirmation by the State Senate. Oregon Tech has two campuses, located in Klamath Falls and the Portland Metro area.

The Oregon Tech financial reporting entity includes Oregon Tech and the Oregon Tech Foundation (Foundation) which is reported as a discretely presented component unit under the guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Discretely presented means that the statements are included separately in the financial report. See Note 19 "University Foundation" for additional information relating to this component unit.

Because the Governor of the State of Oregon (State) appoints the Board and Oregon Tech receives some financial support from the State, the State determined that Oregon Tech is a discretely presented component unit of the State and is included in the State's Comprehensive Annual Financial Report (CAFR).

B. Financial Statement Presentation

Oregon Tech financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the GASB. The financial statement presentation required by GASB No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, modified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides a comprehensive, entity-wide perspective of Oregon Tech 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, interfund transfers between University funds, and internal revenues and expenses associated with self-supporting auxiliary and service center operations have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the Oregon Tech Foundation for fiscal years ended June 30, 2018 and 2017 are discretely presented, as discussed above. The Foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the University. No modifications have been made to the Foundation's financial information included in the University's financial report.

C. Basis of Accounting

For financial reporting purposes, Oregon Tech is considered a special-purpose government engaged only in business-type activities. Accordingly, the Oregon Tech 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.

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

Oregon Tech implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective June 30, 2018. 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. As a result of the implementation, Oregon Tech restated beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position by ($767) and increased benefit expense by $37 resulting in a net change in ending net position of ($804). See Note 1. "Organization and Summary of Significant Accounting Policies", Section Y. "Change in Accounting Principle" and Note 15. "Other Postemployment Benefits" for additional information.

Oregon Tech implemented GASB Statement No. 85, *Omnibus 2017*, effective for the fiscal year ending June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

Oregon Tech implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending June 30, 2021. Oregon Tech has elected to early implement as of June 30, 2018. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be capitalized and included in the historical cost of a capital asset.

UPCOMING ACCOUNTING STANDARDS

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and guidance on how to report activities meeting the criteria in a fiduciary fund in the basic financial statements. The Statement is effective for the fiscal year ending June 30, 2020 and will apply to custodial funds, primarily for student groups, held by the University.

In June 2017, GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 improves the accounting and financial reporting for leases and is effective for the fiscal year ended June 30, 2021.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. This Statement will substantially impact the University's lease accounting and reporting.

Between July 2017 and June 2018, GASB issued the following statements which do not currently, but could under certain circumstance in the future, apply to Oregon Tech: Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

D. Cash and Cash Equivalents

Cash and cash equivalents may include highly liquid investments with original maturities of three months or less. Cash and cash equivalents of the University consist of: cash on hand, cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF) and cash held at U.S. Bank.

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. Receivables

Accounts receivable consists primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable for tuition and fee charges are recorded net of estimated uncollectible amounts in accordance with U.S. generally accepted accounting principles.

Grants and contracts receivable include amounts due from Federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Capital Construction receivables include amounts due from the State of Oregon in connection with reimbursement of allowable expenditures made pursuant to the grant agreements between the University and the State for facilities projects funded by the State.

Student Loans receivable consists of amounts due from the Federal Perkins Loan Program and from other loans administered by the University. Construction Reimbursement loans receivable are amounts receivable from the State of Oregon in connection with reimbursement of allowable expenditures made pursuant to the contracts between the University and the State for facilities projects funded by the University. Construction Reimbursements can be current or long term depending on the estimated timing of completion of construction projects. Oregon Tech does not currently have Construction Reimbursement loans receivable.

G. Inventories

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

H. Capital Assets

Capital assets are recorded at cost on the date acquired or at acquisition value on the date donated. Oregon Tech capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. Oregon Tech 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. In addition, a group of related assets may be capitalized as a single asset when there is a major asset with related underlying assets, valued separately at under five thousand dollars, which must also be capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Prior to the implementation of GASB Statement No. 89, Oregon Tech capitalized interest expense as part of the historical cost of acquiring capital assets. Based on the rates of its debt borrowings, the university calculated a weighted composite interest rate and applied it to capital outlays to calculate capitalized interest. The amount of interest capitalized was the portion of the interest cost incurred during the assets' acquisition periods that could have been avoided if outlays for the assets had not been made. The University incurred interest costs related to the acquisition and construction of capital assets of $71 of which $66 was capitalized, for the fiscal year ended June 30, 2017. With the implementation of GASB Statement No. 89, implemented for the fiscal year ended June 30, 2018, interest cost incurred before the end of a construction period is no longer capitalized but is instead recorded as a cost of the period in which it is incurred.

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 land, easements, museum collections, works of art or historical treasures, or library special collections.

I. 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).

J. Compensated Absences

Oregon Tech 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. An estimate is made to allocate this liability between its current and noncurrent components. 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.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

K. Net Pension Liability

The net pension liability, 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. Oregon Tech is included in the proportionate share for all state agencies. The Oregon Tech proportionate share is allocated to Oregon Tech by the Oregon State Department of Administrative Services. The system-wide Plan uses the accrual basis of accounting. For more information, see Note 14. “Employee Retirement Plans”.

L. Other Postemployment Benefits (OPEB) Asset/Liability

Under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the university reported a Net OPEB Obligation related to the implicit rate subsidy provided to retirees who were allowed to purchase health insurance under the university’s PEBB health care plans. The implementation of GASB Statement No. 75, effective for fiscal year ending June 30, 2018, supersedes GASB Statement No. 45. Under GASB Statement No. 75, the University now reports their proportionate share of the net PERS RHIA OPEB asset, net PERS RHIPA OPEB liability, and the total PEBB OPEB liability along with the associated deferred outflows of resources and deferred inflows of resources. Historically, the OPEB Obligation was included in the noncurrent portion of long-term liabilities. With the implementation of GASB Statement No. 75, the OPEB asset and OPEB liabilities are now reported on separate lines in the Statement of Net Position. See Note 15. "Other Postemployment Benefits (OPEB)" for a detailed description of each plan and the proportionate share methodology for each.

The change from GASB Statement No. 45 to GASB Statement No. 75 had the following impact on the University’s reported OPEB liability:

GASB 45 Net OPEB Obligation at 6/30/2017	$	615
Reversal of Prior OPEB Obligation		(615)
GASB 75 Total PEBB OPEB Liability		1,285
GASB75 Net PERS RHIPA Liability		199
OPEB Liability at 6/30/2018	$	1,484

M. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the use of resources in one period that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred outflows have a positive effect on net position that is similar to assets, but are not assets. Deferred inflows of resources represent the acquisition of resources that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred inflows have a negative effect on net position, similar to liabilities, but are not liabilities. Both deferred outflows of resources and deferred inflows of resources for Oregon Tech are related to defined benefit pension plans and other post employment benefits (OPEB).

N. Net Position

Oregon Tech’s net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

Unrestricted are resources that may be used at the discretion of the Board.

O. Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the University in accordance with the University’s strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

P. Endowments

The University has the authority to use the interest, income, dividends, or profits of endowments. The Oregon Tech Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current Board policy, the amount available for distribution during fiscal year 2019 is estimated to be $311.

Oregon Tech’s endowments are not true endowments (in that the donor does not require the corpus to remain intact in perpetuity) and are included in the Expendable Gifts, Grants, and Contracts on the Statement of Net Position. See Note 2.B. “Investments” for additional information.

Q. Income Taxes

Oregon Tech is treated as a governmental entity for tax purposes. As such, Oregon Tech is generally not subject to federal and state income taxes. However, Oregon Tech remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax provision has been recorded for the years ended June 30, 2018 and June 30, 2017 because there is no significant amount of taxes on such unrelated business income for Oregon Tech.

R. Revenues and Expenses

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

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

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

S. State Support

Oregon Tech receives support from the State of Oregon in the form of General Fund and Lottery appropriations and debt service appropriations for some Oregon Department of Energy loans, see Note 13. "Government Appropriations" for details on appropriations.

In addition to appropriations, the State of Oregon provides funding for plant facilities on the University's campuses. Capital projects for new facilities and capital improvements and repair are funded by philanthropy, campus paid debt and resources, and state-paid debt. The State of Oregon Legislature considers projects from all seven public universities for allocation of Oregon's bonding capacity. Funds for capital projects funded by state-paid debt are provided through grant agreements between Oregon Tech and the State of Oregon. Revenue is recorded as Capital Grants in the Statement of Revenues, Expenses and Changes in Net Position when appropriate expenditures are reimbursable per the grant agreements. Funds for capital projects funded by campus paid debt can also be funded through the State of Oregon's bonding capacity. At the time that the bonds are sold, the State of Oregon instructs Oregon Tech to record a liability for the debt and a receivable for construction reimbursements. The receivable is reduced as expenditures on the capital project are completed and reimbursed by the State. Oregon Tech does not currently have any capital projects funded with new bonded debt which are campus paid.

Facilities funded by philanthropy, state-paid debt, and campus paid debt are reflected as completed assets or construction in progress in the accompanying Statement of Net Position. The obligations for the bonds issued by the State of Oregon are not obligations of Oregon Tech. Oregon Tech is obligated to pay contracts for projects funded by campus paid debt, these contracts payable are included as current and long term liabilities in the Statement of Net Position.

T. Allowances

Student tuition and fees and campus housing fees included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the stated charge for tuition, fees, and housing provided by the University and the amount that is billed to the student and/or third parties making payments on behalf of the student. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance,

Oregon Tech has three types of allowances that net into auxiliary enterprises revenues and tuition and fees. Tuition and housing waivers provided directly by Oregon Tech amounted to $3,846 and $3,578 for the fiscal years ended 2018 and 2017, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $4,605 and $4,401 for the fiscal year ended 2018 and 2017, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $357 and $298 for the fiscal years ended 2018 and 2017, respectively.

U. Federal Student Loan Programs

Oregon Tech receives proceeds from the Federal Direct Student Loan Program. Since Oregon Tech transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are not reported in operations. Federal student loans received by Oregon Tech students but not reported in operations was $19,417 and $20,082 for the fiscal years ended 2018 and 2017, respectively.

V. Deposit Liabilities

Deposit Liabilities primarily consist of fund balances held by Oregon Tech on behalf of student groups and organizations that account for activities in the Oregon Tech accounting system and whose cash is part of the cash held on deposit with the State Treasury.

W. 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.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

X. Reclassifications

Certain amounts within the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation. The reclassifications had no effect on previously reported total net position and do not constitute a restatement of prior periods.

Y. Change in Accounting Principle

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* is effective for fiscal year 2018. The State did not determine the amounts as of June 30, 2016 so restatement of all prior periods presented is not possible. The cumulative effect of applying GASB No. 75 is reported as a restatement of beginning net position as of July 1, 2017 as follows:

	July 1, 2017
Beginning Net Position	$ 76,423
Less Beginning Net PERS RHIA OPEB Liability	(34)
Less Beginning Net PERS RHIPA OPEB Liability	(226)
Plus Reversal of Prior Year PEBB OPEB Liability	615
Less Beginning Total PEBB OPEB Liability	(1,239)
Plus Beginning Deferred Outflows	117
Total Change in Accounting Principle	(767)
Restated Beginning Net Position	$ 75,656

Z. Perkins Loan Program Termination

Oregon Tech administers Title IV Perkins Loans for the benefit of its students. Funds for the Perkins program were initially received through Federal Capital Contributions (FCC) from the US Department of Education (ED) and were matched with Institutional Capital Contributions (ICC). Over the years, the proportion of federal to institutional matching funds varied, from a 90/10 split to a 75/25 split. Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed. Institutions have been given the option of assigning existing Perkins Loans back to the federal government or continuing to collect on these loans while returning the FCC portion as loans are repaid. Historically, the balance of the Perkins loans was reported in Notes Receivable and in Net Position Expendable for Student Loans. Due to the impending return of the loans to ED, a liability has been established for the amount of the federal portion of the remaining Notes Receivable and Cash. See Note 9. "Long-Term Liabilities" for more information on this change.

2. Cash and Investments

The majority of Oregon Tech's cash and investments were held in custody with the Oregon State Treasury (State Treasury) during the fiscal years ended June 30, 2018 and 2017. The State Treasury manages these invested assets through commingled investment pools. The operating funds of Oregon Tech are commingled with cash and investments from five other Oregon public universities and are 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. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

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

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

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2018 and 2017 as follows:

	June 30, 2018	June 30, 2017
Current		
Unrestricted	**$ 5,307**	$ 4,262
Restricted For:		
Gifts, Grants and Contracts	**154**	-
Debt Service	**627**	573
Student Aid	**451**	474
Endowments	**-**	104
Payroll Vendor Payments	**2,037**	1,504
Student Groups and Campus Organizations	**19**	37
US Bank - Perkins	**722**	723
Petty Cash	**72**	79
Total Current	**9,389**	7,756
Noncurrent		
Unrestricted	**583**	538
Restricted For:		
Capital	**352**	323
Total Noncurrent	**935**	861
Total	**$ 10,324**	$ 8,617

Noncurrent, unrestricted cash consists primarily of student building fee funds, which were historically restricted for future debt service payments or other capital project expenses. The Board of Trustees now has spending authority over these funds, which are no longer restricted. Currently, the Board has no plans to spend these funds in the next fiscal year, as these funds will likely be used on future debt service payments or other capital project expenses. As such, the University has classified these amounts as noncurrent. The portion of the student building fee funds that will be used for debt service payable in fiscal year 2019 is reported as current cash.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

DEPOSITS WITH STATE TREASURY

Oregon Tech maintains the majority of its current cash balances on deposit with the State Treasury. These deposits are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool for use by all state agencies or, by agreement, for related public bodies, such as Oregon Tech. The State Treasurer invests these deposits in high-grade short-term investment securities. While the University is not required by statute to collateralize deposits, it does have a contractual obligation with OST to collateralize deposits within 24 hours of receipt. At the fiscal years ended June 30, 2018 and 2017, respectively, Oregon Tech cash and cash equivalents on deposit at State Treasury was $9,530 and $7,815.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash deposits will not be returned to a depositor. The University and State do not have formal policies regarding custodial credit risk for deposits. However, banking regulations and Oregon Revised Statute (ORS) Chapter 295 establish the insurance and collateral requirements for deposits in the OSTF. Oregon Tech cash balances held on deposit at the State Treasury are invested continuously, therefore, custodial credit risk exposure to the State Treasury is low. Additionally, cash balances on deposit with US Bank are collateralized, therefore invested continuously, resulting in low credit risk.

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 denominated in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

For the years ended June 30, 2018 and 2017, respectively, Oregon Tech had vault and petty cash balances of $72 and $79. Oregon Tech also had cash held at US Bank for Title IV Perkins funds of $722 at June 30, 2018 and $723 at June 30, 2017.

B. Investments

Oregon Tech's operating funds and some of the University's quasi-endowments are invested in the PUF Core Bond Fund (CBF). The CBF invests primarily in intermediate-term fixed income securities and is managed with an investment objective to maximize total return (i.e., principal and income) over an intermediate time horizon within stipulated risk parameters. The CBF is actively managed to maintain an average duration of four to five years, through a diversified portfolio of quality, investment grade fixed income securities as defined in the portfolio guidelines.

On May 31, 2018, Oregon Tech transferred the endowment assets invested in the PUF to the OT Foundation for investment management. These endowment assets are invested in the OT Foundation's pooled endowment fund (Fund) and directed by external investment managers. The Fund is expected to operate in perpetuity and the assets are invested with a long-term horizon while maintaining a prudent level of risk. During the year ended June 30, 2017, the University established a board-designated quasi-endowment invested in the Oregon Intermediate-term Pool (OITP), managed by State Treasury. The OITP is actively managed to maintain an average duration of 3.0 years, through a diversified portfolio of quality, investment grade fixed income securities. All investments are managed as a prudent investor would do, exercising reasonable care, skill and caution. Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2018, Oregon Tech had $22,696 in investments; of this, $15,005 was invested in the CBF managed by State Treasury, $7,406 was invested in the OITP, and $285 was invested in the OT Foundation pooled endowment fund.

At June 30, 2017, Oregon Tech had $21,762 in investments; of this, $14,273 was invested in the CBF, and $7,489 was invested in the OITP.

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 Oregon Tech's portion of PUF pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2018.

Investments of the Oregon Tech discretely presented component unit are summarized at June 30, 2018 and 2017, respectively as follows:

COMPONENT UNIT

Fair Value at June 30,	2018	2017
Investment Type:		
Mutual Funds	**$ 22,355**	$ 19,794
Investment in Partnership	**1,117**	1,616
Alternative Investments	**1,594**	1,508
Money Market Funds	**270**	1,013
Total Investments	**$ 25,336**	$ 23,931

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. Oregon Tech has an investment policy for its operating and endowment assets. The PUF Investment Pool totaled $375,496 and $312,900 at June 30, 2018 and 2017, respectively, of which Oregon Tech owned $15,005 or 4.0 percent and $14,273 or 4.6 percent. As of June 30, 2018 and 2017, approximately 92.6 percent and 99.0 percent, respectively, of investments in the PUF Pool 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 $269,463 and $272,151 in fiscal year 2018 and 2017, respectively. Fixed income securities which have not been evaluated by the rating agencies totaled $78,122 and $37,721 in fiscal year 2018 and 2017, respectively.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The OIC has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2018 and 2017, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

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

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. No Oregon Tech investments had reportable foreign currency risk at either June 30, 2018 or 2017.

Of the Oregon Tech endowments invested by the Oregon Tech Foundation, at June 30, 2018, $56, or 19.7 percent, were held subject to foreign currency risk.

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, 2018 and 2017, respectively, securities in the PUF Investment Pool held subject to interest rate risk totaling $347,585 and $309,872 had an average duration of 3.71 and 3.91 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates. At June 30, 2018 and June 30 2017, respectively, the total $7,406 and $7,489 of the Oregon Tech board designated quasi-endowment invested in the OITP were subject to interest rate risk and had an average duration of 3.12 and 3.02 years. Additionally, securities in the Oregon Tech Foundation endowments held subject to interest rate risk totaling $56 had an average duration of 3.72 years.

FAIR VALUE MEASUREMENTS

Investments are reported at estimated fair value as determined by State Treasury, based on a fair value hierarchy which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 – Inputs that are unobservable. These are only used if relevant Level 1 and Level 2 inputs are not available.

Inputs are used in applying valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. In addition to the underlying reported net asset values (NAV), which generally serve as the primary valuation input, other inputs may include liquidity factors and broad credit data. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Neither Oregon Tech's investments in the PUF nor those invested with the Oregon Tech Foundation are required to be leveled per GASB Statement No, 72. Oregon Tech's investments in the OITP are all level 3 since the underlying inputs are unobservable.

COMPONENT UNIT INVESTMENTS BY LEVEL

The following tables present the component unit investments by level within valuation hierarchy as of June 30, 2018 and 2017:

Fair Value at June 30, 2018	**Level I**	**Level II**	**Level III**	**Total**
Money Market Funds	**$ 270**			**$ 270**
Mutual Funds	**22,355**			**22,355**
Alternative Investments		**1,594**		**1,594**
Investment in Partnership			**1,117**	**1,117**
	$ 22,625	**$ 1,594**	**$ 1,117**	**$ 25,336**

Fair Value at June 30, 2017	Level I	Level II	Level III	Total
Money Market Funds	$ 1,013			$ 1,013
Mutual Funds	19,794			19,794
Alternative Investments		1,508		1,508
Investment in Partnership			1,616	1,616
	$ 20,807	$ 1,508	$ 1,616	$ 23,931

C. Securities Lending

In accordance with the State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. Oregon Tech's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2018 and 2017.

During the year, State Street had the authority to lend short-term, fixed income, and equity securities and receive as collateral

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. security. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the year the State did impose restrictions on the amount of the loans that the custodian made on its behalf. The State Treasury is fully indemnified by the custodian against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies and related agencies, including Oregon Tech. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2018 and 2017, is effectively one day. As of June 30, 2018 and 2017, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the University's share of securities lending balances on loan as of June 30, 2018 and 2017 comprised the following:

	June 30, 2018	June 30, 2017
Investment Type		
U.S. Treasury and Agency Securities	**$ 1,006**	$ 165
Domestic Fixed Income Securities	**1,147**	630
Total	**$ 2,153**	$ 795

The fair value of the University's share of total cash and securities collateral received as of June 30, 2018 and 2017 was $2,197 and $813, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2018 and 2017 was $1,207 and $637, respectively.

3. Accounts Receivable

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

	June 30, 2018	June 30, 2017
Student Tuition and Fees	**$ 2,220**	$ 1,956
Capital Construction Gifts, Grants, and Contracts	**1,864**	1,341
State, Other Government, and Private Gifts, Grants and Contracts	**392**	924
Federal Grants and Contracts	**475**	482
Auxiliary Enterprises and Other Operating Activities	**222**	289
Component Units	**136**	143
Other	**597**	1,248
	5,906	6,383
Less: Allowance for Doubtful Accounts	**(446)**	(307)
Accounts Receivable, Net	**$ 5,460**	$ 6,076

4. Notes Receivable

Oregon Tech Notes Receivable has two main components.

Student loans made through the Federal Perkins Loan Program are funded through interest earnings and repayment of loans. Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education for collection. Oregon Tech has provided an allowance for uncollectible loans which is calculated using the cohort default rate reported to the federal government.

Institutional and Other Student Loans include loans offered through the University itself and other various non-federal loan programs.

	June 30, 2018		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 55**	**$ 886**	**$ 941**
Federal Student Loans	**340**	**1,508**	**1,848**
	395	**2,394**	**2,789**
Less: Allowance for Doubtful Accounts	**(20)**	**(92)**	**(112)**
Notes Receivable, Net	**$ 375**	**$ 2,302**	**$ 2,677**

	June 30, 2017		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 90	$ 846	$ 936
Federal Student Loans	354	1,568	1,922
	444	2,414	2,858
Less: Allowance for Doubtful Accounts	(40)	(179)	(219)
Notes Receivable, Net	$ 404	$ 2,235	$ 2,639

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

5. Capital Assets

The following schedule reflects the changes in capital assets:

	Balance July 1, 2016	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2017	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2018**
Capital Assets, Non-depreciable/Non-amortizable									
Land	$ 5,317	$ 363	$ -	$ (31)	$ 5,649	**$ -**	**$ -**	**$ -**	**$ 5,649**
Capitalized Collections	1,012	-	-	-	1,012	**-**	**-**	**-**	**1,012**
Construction in Progress	2,001	6,438	(6,951)	-	1,488	**10,224**	**(3,124)**	**-**	**8,588**
Perpetual Intangible Assets	-	420	-	-	420	**-**	**-**	**-**	**420**
Total Capital Assets, Non-depreciable/Non-amortizable	8,330	7,221	(6,951)	(31)	8,569	**10,224**	**(3,124)**	**-**	**15,669**
Capital Assets, Depreciable/ Amortizable:									
Equipment	13,257	1,391	402	(38)	15,012	**999**	**536**	**(1,861)**	**14,686**
Library Materials	9,597	17	-	(19)	9,595	**51**	**-**	**(138)**	**9,508**
Buildings	108,219	-	4,124	(209)	112,134	**-**	**553**	**1**	**112,688**
Land Improvements	3,278	-	2,018	-	5,296	**1**	**-**	**-**	**5,297**
Improvements Other Than Buildings	457	95	-	-	552	**3**	**9**	**-**	**564**
Infrastructure	20,508	-	407	-	20,915	**-**	**2,026**	**-**	**22,941**
Intangible Assets	1,970	-	-	-	1,970	**-**	**-**	**-**	**1,970**
Total Capital Assets, Depreciable/Amortizable	157,286	1,503	6,951	(266)	165,474	**1,054**	**3,124**	**(1,998)**	**167,654**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(10,243)	(830)	-	4	(11,069)	**(1,034)**	**-**	**1,828**	**(10,275)**
Library Materials	(8,878)	(170)	-	19	(9,029)	**(143)**	**-**	**138**	**(9,034)**
Buildings	(41,377)	(2,691)	-	108	(43,960)	**(2,788)**	**-**	**-**	**(46,748)**
Land Improvements	(2,144)	(280)	-	-	(2,424)	**(302)**	**-**	**-**	**(2,726)**
Improvements Other Than Buildings	(267)	(47)	-	-	(314)	**(49)**	**-**	**(1)**	**(364)**
Infrastructure	(7,200)	(947)	-	(3)	(8,150)	**(967)**	**-**	**-**	**(9,117)**
Intangible Assets	(1,892)	(46)	-	-	(1,938)	**(33)**	**-**	**-**	**(1,971)**
Total Accumulated Depreciation/ Amortization	(72,001)	(5,011)	-	128	(76,884)	**(5,316)**	**-**	**1,965**	**(80,235)**
Total Capital Assets, Net	$ 93,615	$ 3,713	$ -	$ (169)	$ 97,159	**$ 5,962**	**$ -**	**$ (33)**	**$ 103,088**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 8,330	$ 7,221	$ (6,951)	$ (31)	$ 8,569	**$ 10,224**	**$ (3,124)**	**$ -**	**$ 15,669**
Capital Assets, Depreciable/ Amortizable	157,286	1,503	6,951	(266)	165,474	**1,054**	**3,124**	**(1,998)**	**167,654**
Total Cost of Capital Assets	165,616	8,724	-	(297)	174,043	**11,278**	**-**	**(1,998)**	**183,323**
Less Accumulated Depreciation/ Amortization	(72,001)	(5,011)	-	128	(76,884)	**(5,316)**	**-**	**1,965**	**(80,235)**
Total Capital Assets, Net	$ 93,615	$ 3,713	$ -	$ (169)	$ 97,159	**$ 5,962**	**$ -**	**$ (33)**	**$ 103,088**

One of Oregon Tech's geothermal power plants and related systems with a book value of $7,126 was idle as of June 30, 2018 due to repairs in progress.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

6. Deferred Inflows and Outflows of Resources

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2018	June 30, 2017
Deferred Outflows of Resources due to:		
Pension Obligations (See Note 14)	$ 5,919	$ 9,011
Other Post Employment Benefits (See Note 15)	140	
Total Deferred Outflows of Resources	$ 6,059	$ 9,011
Deferred Inflows of Resources due to:		
Pension Obligations (See Note 14)	$ 332	$ 161
Other Post Employment Benefits (See Note 15)	56	
Total Deferred Inflows of Resources	$ 388	$ 161

7. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2018	June 30, 2017
Salaries and Wages	$ 1,995	$ 1,972
Payroll Benefits Related	2,071	1,504
Services and Supplies	2,710	1,414
Accrued Interest	778	825
Other	394	43
Total	$ 7,948	$ 5,758

8. Operating Leases

A. Receivables/Revenues

Oregon Tech receives income for land, property and equipment that is leased to third parties. Rental income received from leases was $737 and $690 for the year ended June 30, 2018 and 2017, respectively. The original cost of assets leased, net of depreciation, was $4,624 and $5,288 for the year ended June 30, 2018 and 2017, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2018 were:

For the year ending June 30,	
2019	$ 759
2020	129
2021	2
2022	2
2023	1
2024-2028	7
2029-2033	7
2034-2038	7
2039-2043	7
2044-2048	7
Total Minimum Operating Lease Revenues	$ 928

B. Payables/Expenses

Oregon Tech leases building and office facilities and other equipment under noncancelable operating leases. Total expense for such leases and rents were $712 and $682 for the year ended June 30, 2018 and 2017, respectively. Minimum future lease payments on operating leases at June 30, 2018 were:

For the year ending June 30,	
2019	$ 646
2020	606
2021	546
2022	338
2023	55
Total Minimum Operating Lease Payments	$ 2,191

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

9. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to State of Oregon:						
Contracts Payable	$ 37,870	$ 17	$ (1,563)	$ 36,324	$ 1,546	$ 34,778
Oregon Department of Energy Loans (SELP)	1,424	-	(100)	1,324	78	1,246
Capital Leases	49	135	(39)	145	61	84
Total Long-Term Debt	39,343	152	(1,702)	37,793	1,685	36,108
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	1,642	-	(97)	1,545	97	1,448
Compensated Absences	1,624	1,313	(1,125)	1,812	1,256	556
Employee Termination Liabilities	68	-	(68)	-	-	-
Early Retirement Liability	106	-	(47)	59	38	21
Perkins Loan Program Liability	-	1,703	-	1,703	310	1,393
Total Other Noncurrent Liabilities	3,440	3,016	(1,337)	5,119	1,701	3,418
Total Long-Term Liabilities	$ 42,783	$ 3,168	$ (3,039)	$ 42,912	$ 3,386	$ 39,526

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to State of Oregon:						
Contracts Payable	$ 39,537	$ 25	$ (1,692)	$ 37,870	$ 1,563	$ 36,307
Oregon Department of Energy Loans (SELP)	1,599	-	(175)	1,424	96	1,328
Capital Leases	-	53	(4)	49	16	33
Total Long-Term Debt	41,136	78	(1,871)	39,343	1,675	37,668
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	1,722	-	(80)	1,642	80	1,562
Compensated Absences	1,403	1,253	(1,032)	1,624	1,093	531
Employee Termination Liabilities	124	68	(124)	68	68	-
Early Retirement Liability	157	-	(51)	106	47	59
Total Other Noncurrent Liabilities	3,406	1,321	(1,287)	3,440	1,288	2,152
Total Long-Term Liabilities	$ 44,542	$ 1,399	$ (3,158)	$ 42,783	$ 2,963	$ 39,820

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

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

For the Year Ending June 30,	Contracts Payable	SELP	Capital Leases	Total Payments	Principal	Interest
2019	$ 3,131	$ 138	$ 63	$ 3,332	$ 1,586	$ 1,746
2020	3,115	151	62	3,328	1,634	1,694
2021	3,036	151	23	3,210	1,674	1,536
2022	3,021	151	-	3,172	1,691	1,481
2023	3,056	151	-	3,207	1,774	1,433
2024-2028	14,726	754	-	15,480	9,482	5,998
2029-2033	12,076	262	-	12,338	8,674	3,664
2034-2038	8,973	-	-	8,973	7,208	1,765
2039-2043	3,763	-	-	3,763	3,270	493
2044-2048	600	-	-	600	585	15
Accreted Interest					215	(215)
					$ 37,793	$ 19,610
Total Future Debt Service	**55,497**	**1,758**	**148**	**57,403**		
Less: Interest Component of Future Payments	(19,173)	(434)	(3)	(19,610)		
Principal Portion of Future Payments	$ 36,324	$ 1,324	$ 145	$ 37,793		

The State of Oregon periodically issues bonded debt which it then loans to Oregon Tech for capital construction. Oregon Tech has entered into contract loan agreements with the State for the principal and interest amounts due. In addition, Oregon Tech also borrows funds from the Oregon Department of Energy through the Small Scale Energy Loan Program (SELP). The State may periodically issue new debt to refund previously held debt. Per the loan agreements, when this happens the State is required to pass the savings on to the University.

A. Contracts Payable

Oregon Tech has entered into loan agreements with the State for repayment of bonds issued by the State on behalf of the University for capital construction and refunding of previously issued debt. The University makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with interest rates ranging from 1.53 percent to 7.0 percent, are due serially through 2044.

During the fiscal year ended June 30, 2018, the State did not issue any bonds which resulted in either an increase or decrease to Oregon Tech's contracts payable to the State. Changes to the University's contracts payable to the State include debt service payments for principal and accreted interest of $1,563 and the addition of $17 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

During the fiscal year ended June 30, 2017, the State issued bonds for refunding of previously held debt, which resulted in a net reduction to Oregon Tech's contract payable of $166. Other changes include debt service payment for principal and accreted interest of $1,526 and the addition of $25 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. Oregon Department of Energy Loans

Oregon Tech 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 Oregon Tech. Oregon Tech makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 4.9 percent to 5.08 percent, are due through 2030.

C. Capital Leases

Oregon Tech has acquired assets under capital lease agreements. The cost of Oregon Tech assets held under capital leases totaled $130 and $53 as of June 30, 2018 and 2017, respectively. Accumulated depreciation of leased equipment totaled $39 and $1 at June 30, 2018 and 2017, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2021. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. The effective interest rates on the capitalized leases range from 2.15 to 2.64 percent.

D. 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 public universities, state proprietary funds, and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid by Oregon Tech in the amount of $106 and $122 for June 30, 2018 and 2017, respectively. Principal payments of $97 and $80 were applied to the liability for June 30, 2018 and 2017, respectively.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

E. Employee Termination Liabilities

During the fiscal year ended June 30, 2018, Oregon Tech completed payment of a severance agreement with one former employee relating to early termination of their employment contract.

F. Early Retirement Liability

Oregon Tech offered a tenure relinquishment plan that closed December 31, 2013. Faculty that accepted the plan retired by December 31, 2013 and are receiving a fixed subsidy amount for health benefits covering the term until the faculty member turns 65. Three faculty members continue to receive payments under this plan and a $59 liability will be paid out through fiscal year 2021.

10. Unrestricted Net Position

Unrestricted net position is comprised of the following:

	June 30, 2018	June 30, 2017
University Operations	**$ 25,411**	$ 24,480
Compensated Absences Liability (Note 9)	**(1,812)**	(1,624)
Other Postemployment Benefits Liability (Note 15)	**(1,484)**	(615)
State and Local Government Rate Pool (Note 9)	**(1,545)**	(1,642)
Net Pension Liability (Note 14)	**(15,678)**	(16,969)
Pension & OPEB Related Deferred Outflows (Note 6)	**6,059**	9,011
Pension & OPEB Related Deferred Inflows (Note 6)	**(388)**	(161)
Total Unrestricted Net Position	**$ 10,563**	$ 12,480

11. Investment Activity

Investment Activity detail is as follows:

	June 30, 2018	June 30, 2017
Investment Earnings	**$ 576**	$ 631
Temporarily Restricted Endowment Income	**162**	11
Interest Income	**4**	5
Gain (Loss) on Sale of Investments	**(316)**	-
Net Appreciation (Depreciation) of Investments	**(249)**	(308)
Total Investment Activity	**$ 177**	$ 339

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

12. Operating Expenses by Natural Classification

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The table below displays operating expenses by both their functional classification and their natural classification. Both the Net Pension Liability and the OPEB Asset/Liability for fiscal years ended June 30, 2018 and June 30, 2017 affected the reported Compensation and Benefit Expenses of Oregon Tech. For the fiscal year ended June 30, 2018, changes in the Net Pension Liability, the OPEB Asset/Liability, and associated reporting requirements increased the reported Compensation and Benefit expenses of Oregon Tech by $1,935. For the fiscal year ended June 30, 2017, changes in the Net Pension Liability and associated reporting requirements increased the reported Compensation and Benefit expenses of Oregon Tech by $2,108. See page 16 of the Management's Discussion & Analysis section of this report for additional details and discussion of the impact of this change.

June 30, 2018	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	**$ 27,580**	**$ 2,786**	**$ -**	**$ -**	**$ -**	**$ 30,366**
Research	**1,227**	**1,669**	**11**	**-**	**1**	**2,908**
Public Services	**39**	**32**	**2**	**-**	**-**	**73**
Academic Support	**4,535**	**1,554**	**-**	**-**	**-**	**6,089**
Student Services	**4,069**	**843**	**20**	**-**	**-**	**4,932**
Auxiliary Services	**4,167**	**4,845**	**47**	**1,715**	**-**	**10,774**
Institutional Support	**8,043**	**3,618**	**-**	**-**	**-**	**11,661**
Operation & Maintenance	**2,569**	**1,896**	**-**	**-**	**-**	**4,465**
Student Aid	**76**	**2**	**5,025**	**-**	**112**	**5,215**
Other	**29**	**365**	**-**	**3,601**	**-**	**3,995**
Total	**$ 52,334**	**$ 17,610**	**$ 5,105**	**$ 5,316**	**$ 113**	**$ 80,478**

June 30, 2017	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 26,009	$ 2,712	$ -	$ -	$ -	$ 28,721
Research	1,133	869	16	-	-	2,018
Public Services	18	20	-	-	-	38
Academic Support	5,240	1,600	-	-	-	6,840
Student Services	3,818	892	19	-	-	4,729
Auxiliary Services	3,789	5,140	65	1,688	-	10,682
Institutional Support	6,278	2,407	-	-	-	8,685
Operation & Maintenance	2,585	1,766	-	-	-	4,351
Student Aid	49	2	5,391	-	29	5,471
Other	(6)	165	-	3,323	-	3,482
Total	$ 48,913	$ 15,573	$ 5,491	$ 5,011	$ 29	$ 75,017

13. Government Appropriations

Oregon Tech receives support from the State of Oregon in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the University. Appropriations for SELP debt service are dependent upon the loan agreements between the University and the Oregon Department of Energy. Government appropriations comprised the following:

	June 30, 2018	June 30, 2017
General Fund - Operations	**$ 27,500**	$ 26,198
General Fund - SELP Debt Service	**157**	190
Lottery Funding	**457**	457
Total Appropriations	**$ 28,114**	$ 26,845

14. Employee Retirement Plans

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

A. Public Employees Retirement Plan (PERS)

Organization: Oregon Tech participates with other state agencies in the Oregon Public Employees Retirement System (System), which is a cost-sharing multiple employer defined benefit plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System.

Plan Membership: The 1995 Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. Membership prior to January 1, 1996 are Tier One members. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit, DB) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board.

Pension Plan Report: The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State of Oregon Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes an audit opinion that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:
http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Summary of Significant Accounting Policies: Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

Basis of Accounting: Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month.

Proportionate Share Allocation Methodology for the Plan: The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Collective Pension Plan Liability: The components of the Plan's collective net pension liability as of the measurement dates of June 30, 2017 and 2016 are as follows (dollars in millions):

	June 30, 2017	June 30, 2016
Total Pension Liability	$ 79,852	$ 77,094
Plan Fiduciary Net Position	66,372	62,082
Plan Net Pension Liability	$ 13,480	$ 15,012

Changes Subsequent to the Measurement Date: The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20 percent assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018.

OREGON PERS PENSION (CHAPTER 238) PROGRAM

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled 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.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

Benefit Changes after Retirement

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

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA is capped at 2.0 percent.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

Pension Benefits

The OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through COLAs. The cap on the COLAs 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 IAP) PENSION PROGRAM

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Pension Plan Contributions

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the 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 for the fiscal year ended June 30, 2018 were based on the December 31, 2015 actuarial valuation. Employer contribution rates for the fiscal year ended June 30, 2017 were based on the December 31, 2013 actuarial valuation as subsequently modified by the *Moro* decision. The employer contribution rates for the PERS and OPSRP are as follows:

	2018	2017
PERS Tier One/Two	**17.84%**	13.28%
OPSRP	**10.78%**	7.31%

Employer required contributions for the years ended June 30, 2018 and June 30, 2017 were $1,800 and $1,246, respectively, including amounts to fund employer specific liabilities. (See Note 9.D. for additional information).

Net Pension Liability

At June 30, 2018 and 2017, the University reported a liability of $15,678 and $16,969, respectively, for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The net pension liability as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The PERS system does not provide Oregon Tech an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services calculated Oregon Tech's proportional share of all state agencies internally based on actual contributions by Oregon Tech compared to the total for employer state agencies. The State of Oregon Audits Division reviewed this internal calculation. At June 30, 2018 and 2017, Oregon Tech's proportion was 0.12 and 0.11 percent, respectively, of the statewide pension plan.

For the years ended June 30, 2018 and 2017, Oregon Tech recorded total net pension expense of $3,446 and $3,152 due to the increase in net pension liability and changes to deferred inflows and outflows.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal years ending June 30, 2018 and 2017, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual earnings
- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

- Measurement period ended June 30, 2017 – 5.3 years
- Measurement period ended June 30, 2016 – 5.3 years
- Measurement period ended June 30, 2015 – 5.4 years
- Measurement period ended June 30, 2014 – 5.6 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total pension expense for fiscal years 2018 and 2017.

At June 30, 2018, Oregon Tech 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	$ 758	$ -
Changes of assumptions	2,858	-
Net difference between projected and actual earnings on pension plan investments	161	-
Change in proportionate share	656	-
Difference between contributions and proportionate share of contributions	11	332
Total	$ 4,444	$ 332
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	$ 4,112	
Contributions Subsequent to the MD	1,475	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 5,587	

At June 30, 2017, Oregon Tech 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	$ 562	$ -
Changes of assumptions	3,619	-
Net difference between projected and actual earnings on pension plan investments	3,352	-
Changes in proportion and differences between System's contributions and proportionate share of contributions	434	161
Total	$ 7,967	$ 161
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	$ 7,806	
Contributions Subsequent to the MD	1,044	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 8,850	

Of the amount reported as deferred outflows of resources, $1,475 is related to pensions resulting from Oregon Tech contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	$ 837
2020	2,119
2021	1,478
2022	(352)
2023	30
	$ 4,112

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

Actuarial Methods and Assumptions

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

Actuarial Methods:		
As of:	**June 30, 2018**	**June 30, 2017**
Valuation Date	December 31, 2015	December 31, 2014
Measurement Date	June 30, 2017	June 30, 2016
Experience Study Report	2014, published September 2015	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.50 percent	
Discount Rate	7.50 percent	
Projected Salary Increases	3.50 percent	
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.	
Mortality	*Healthy retirees and beneficiaries:*	
	RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.	

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

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as of June 30, 2018 and 2017, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Oregon Tech's proportionate share of the net pension liability	
	June 30, 2018	June 30, 2017
1 % Decrease 6.50%	$ 26,718	$ 27,399
Current Discount Rate 7.50%	15,678	16,969
1 % Increase 8.50%	6,446	8,251

Depletion Date Projection

GASB No. 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience 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. 68 would clearly indicate that the Fiduciary Net

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

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	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	12.50	12.50
Opportunity Portfolio	0.00	3.00	0.00
Total			100.00 %

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 2015 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. Each asset assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table on the following page shows 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Intermediate-Term Bonds	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation – Mean		2.50%

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 periodically over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004. The assessment rate for fiscal year 2018 was 6.0 percent through October 31, 2017. The 2018 rate was increased to 6.2 percent effective November 1, 2017. The assessment rate for fiscal year 2017 was 6.0 percent. Payroll assessments paid by Oregon Tech for the fiscal years ended June 30, 2018 and 2017 were $882 and $815, respectively.

B. Other Retirement Plans

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized Oregon Tech 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 two investment companies, either Fidelity or TIAA.

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer.

The employer contribution rates for the ORP are as follows:

	2018	2017
Tier One/Two	**23.68%**	20.45%
Tier Three	**9.29%**	7.94%
Tier Four	**8.00%**	8.00%

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the Teacher's Insurance and Annuity Association (TIAA) 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 annuities are supplemental to PERS. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996. The legacy plan, Oregon University System 401(a) Defined Contribution Plan, document was amended and restated July 1, 2015 and the Plan Sponsor is now the Board of Trustees for the University of Oregon.

SUMMARY OF OTHER PENSION PAYMENTS

Oregon Tech total payroll for the year ended June 30, 2018 was $33,897, of which $12,590 was subject to retirement plan contributions. The following schedule lists payments made by Oregon Tech for the fiscal year:

	June 30, 2018			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,626	12.91%	$ 955	7.58%
TIAA	-	0.00%	-	0.00%
Total	$ 1,626	12.91%	$ 955	7.58%

Of the employee share, Oregon Tech paid $955 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2018.

Oregon Tech total payroll for the year ended June 30, 2017 was $32,134, of which $11,727 was subject to retirement plan contributions. The following schedule lists payments made by Oregon Tech for the fiscal year:

	June 30, 2017			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,458	12.43%	$ 743	6.34%
TIAA	7	0.06%	7	0.06%
Total	$ 1,465	12.49%	$ 750	6.40%

Of the employee share, Oregon Tech paid $743 of the ORP and $7 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2017.

15. Other Postemployment Benefits (OPEB)

A. Public Employees Retirement System (PERS)

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of eligible PERS members. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA). Only Tier One and Tier Two PERS members are eligible to participate in the RHIA and RHIPA plans. (Refer to Note 14 for details concerning Tier One and Tier Two membership in PERS.)

The RHIA is a cost-sharing multiple-employer defined benefit OPEB plan in which the university participates. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

Established under ORS 238.415, the RHIPA is considered a cost-sharing multiple-employer defined benefit OPEB plan for financial reporting purposes. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established PERS membership prior to that date.

OPEB Plans Report

The RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the state's Comprehensive Annual financial Report. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Summary of Significant Accounting Policies

Employers participating in RHIA and RHIPA plans are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities for OPEB and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Basis of Accounting

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers.

OPEB Plan (Asset)/Liability

The components of the total PERS Net OPEB liability (asset) for the OPEB plans as of the measurement date of June 30, 2017 are as follows (in millions):

Net OPEB - RHIA (Asset)	June 30, 2017
Total OPEB - RHIA Liability	$ 470.0
Plan Fiduciary Net Position	511.8
Plan Net OPEB - RHIA (Asset)	**$ (41.8)**
Plan net position as a percentage of Total OPEB - RHIA Liability	108.9%

Net OPEB - RHIPA Liability	June 30, 2017
Total OPEB - RHIPA Liability	$ 70.9
Plan Fiduciary Net Position	24.3
Plan Net OPEB - RHIA Liability	**$ 46.6**
Plan net position as a percentage of Total OPEB - RHIPA Liability	34.3%

Changes Subsequent to the Measurement Date

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20 percent assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018.

Contributions

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions.

For the fiscal year ended June 30, 2018, the University contributes 0.07 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, the university contributes 0.43 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution was approximately $64 for the year ended June 30, 2018. The actual contribution equaled the annual required contribution for the fiscal year.

For the fiscal year ended June 30, 2018, the university contributed 0.11 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the University contributes 0.38 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution was approximately $59 for the year ended June 30, 2018. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset/Liability

a. RHIA

At June 30, 2018, the University reported an asset of $55 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide Oregon Tech an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. The state Department of Administrative Services (DAS) calculated Oregon Tech's proportionate share of all state agencies internally based on actual contributions by the University as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2018, Oregon Tech's proportion was 0.13 percent of the statewide OPEB plan.

For the year ended June 30, 2018, Oregon Tech recorded total OPEB expense of $1 due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

b. RHIPA

At June 30, 2018, the University reported a liability of $199 for its proportionate share of the PERS RHIPA net OPEB liability. The net OPEB liability as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide Oregon Tech an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. DAS calculated Oregon Tech's proportionate share of all state agencies internally based on actual contributions by the University as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

June 30, 2018, Oregon Tech's proportion was 0.43 percent of the statewide OPEB plan.

For the year ended June 30, 2018, Oregon Tech recorded total OPEB expense of $23 due to the increase in the net PERS RHIPA OPEB liability, changes to deferred outflows and deferred inflows, and amortization of previously deferred amounts.

Deferred Items

a. RHIA

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, there were:

- No difference between expected and actual experience
- No difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- A difference between projected and actual earnings

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of the measurement period ended June 30, 2017 is 3.7 years.

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the university's total OPEB expense for fiscal year 2018.

At June 30, 2018, Oregon Tech reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 26
Change in proportionate share	2	-
Total	$ 2	$ 26
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	$ (24)	
Contributions Subsequent to the MD	64	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 40	

Of the amount reported as deferred outflows of resources, $64 are related to contributions subsequent to the measurement date and will be recognized as an increase of the net OPEB asset in the year ended June 30, 2019.

As of June 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ (6)
2020	(6)
2021	(6)
2022	(6)
2023	-
	$ (24)

b. RHIPA

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, there were:

- No difference due to changes in assumptions
- No difference between expected and actual experience
- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions
- Net difference between projected and actual OPEB plan investment earnings

Differences between expected and actual experience, changes in assumption, and change in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of the measurement period ended June 30, 2017 is 7.2 years.

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total OPEB expense for fiscal year 2018.

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

At June 30, 2018, Oregon Tech reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2
Change in proportionate share	2	-
Difference between contributions and proportionate share of contributions	1	-
Total	$ 3	$ 2
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	$ 1	
Contributions Subsequent to the MD	59	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 60	

Of the amount reported as deferred outflows of resources, $59 are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

As of June 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ -
2020	-
2021	1
2022	-
2023	-
Thereafter	-
	$ 1

Actuarial Methods and Assumptions

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 below are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Actuarial Methods and Assumptions:		
	RHIA	RHIPA
Valuation Date	December 31, 2015	December 31, 2015
Measurement Date	June 30, 2017	June 30, 2017
Experience Study Report	2014, published September 2015	
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.50 percent	
Discount Rate	7.50 percent	
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 38%; Disabled retirees: 20%	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service
Healthcare Cost Trend Rate	Not applicable	Applied at beginning of plan year, starting with 6.3% for 2016, decreasing to 5.3% for 2019, increasing to 6.5% for 2029, and decreasing to an ultimate rate of 4.4% for 2094 and beyond.
Mortality	*Healthy retirees and beneficiaries:* RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.	

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

Discount Rate

The discount rate used to measure the total OPEB liability/(asset) at June 30, 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' 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 OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	RHIA	RHIPA
1% Decrease 6.5%	$ 8	$ 219
Current Discount Rate 7.5%	(55)	199
1% Increase 8.5%	(108)	179

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability/(asset) calculated using the current healthcare cost trend rates, as well as what the net OPEB liability/(asset) would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Healthcare Cost Rate	RHIA	RHIPA
1% Decrease	$ (55)	$ 171
Current Trend Rate	(55)	199
1% Increase	(55)	229

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	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	12.50	12.50
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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Depletion Date Projection

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 75 (paragraph 82) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- Oregon PERS has a formal written policy to calculate an actuarially determined contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

GASB Statement No. 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

B. Public Employees' Benefit Board (PEBB)

Plan Description

Oregon Tech participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes (ORS) gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a cost-sharing multiple-employer plan for financial reporting purposes and has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their “active” health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an “implicit rate subsidy".

Summary of Significant Accounting Policies

Employers participating in PEBB are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Proportionate Share Allocation Methodology

The basis for the employer’s proportion is determined by comparing the employer’s actual contributions made during the fiscal year with the total actual contributions made in the fiscal year of all employers.

Total OPEB Liability

At June 30, 2018, the University reported a liability of $1,285 for its proportionate share of the total PEBB OPEB liability. The total OPEB liability as of June 30, 2018 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. PEBB does not provide Oregon Tech an audited proportionate share as a separate employer; the University is allocated a proportionate share of PEBB participating employers. DAS calculated Oregon Tech’s proportionate share of all participating employers internally based on actual contributions by the University as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2018, Oregon Tech's proportion was 0.87 percent of participating employers.

For the year ended June 30, 2018, Oregon Tech recorded total OPEB expense of $125 due to the changes to the total OPEB liability, deferred inflows, and amortization of deferred amounts.

Deferred Items

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, there were:

- Changes in assumptions
- Changes in employer proportion since the prior measurement date

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period “layers” attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of the measurement period ended June 30, 2017 is 8.2 years.

One year of amortization is recognized in the university’s total OPEB expense for fiscal years 2018.

At June 30, 2018, Oregon Tech reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		$ 28
Change in proportionate share	$ 12	
Total	$ 12	$ 28

As of June 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ (2)
2020	(2)
2021	(2)
2022	(2)
2023	(2)
Thereafter	(6)
	$ (16)

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

Actuarial Methods and Assumptions

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.

Actuarial Methods and Assumptions:	
Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50 percent
Discount Rate	3.87 percent
Projected Salary Increases	3.50 percent
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation
Healthcare Cost Trend Rate	*Medical and vision cost increases:*
	0.80% in the first year; 5.10% in the second year; 5.30% in the third year; varying from 6.20% to 4.20% over the remainder of the projection period
	Dental cost changes:
	decrease 1.10% in the first year; increase 3.10% in the second year; increase 4.00% per year thereafter
Election and lapse rates	30% of eligible employees
	60% spouse coverage for males, 35% for females
	7% annual lapse rate

Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rate in effect for the June 30, 2018 reporting date is 3.87 percent.

Sensitivity Analysis

The following sensitivity analysis shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2018
1% Decrease 2.87%	$ 1,399
Current Discount Rate 3.87%	1,285
1% Increase 4.87%	1,181

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Healthcare Cost Rate	June 30, 2018
1% Decrease	$ 1,132
Current Trend Rate	1,285
1% Increase	1,468

16. Risk Financing

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

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

Oregon Tech retains risk for losses under $5, and in certain cases, up to $25, which is the deductible per claim for insurance purchased through the Trust.

Oregon Tech is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims. The amount of settlements has not exceeded insurance coverage over the past three years.

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

For the Years Ended June 30, 2018 and 2017 (dollars in thousands)

17. Commitments and Contingent Liabilities

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately $50,966 and $19,780 at June 30, 2018 and 2017, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other Oregon Tech funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2018.

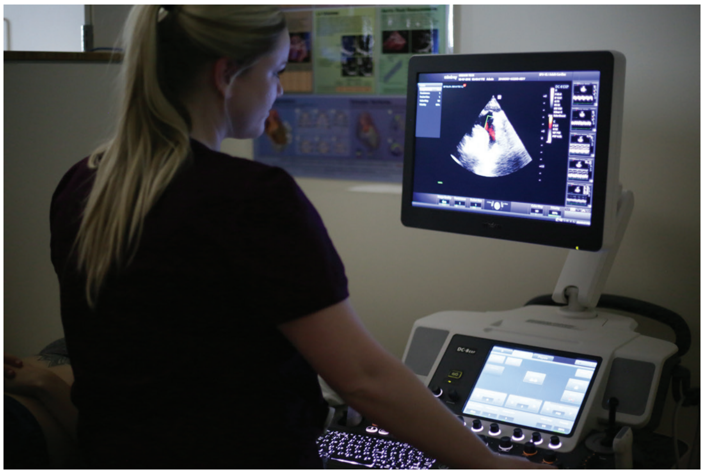
Oregon Tech is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

Oregon Tech 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. Oregon Tech 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 Oregon Tech cannot be reasonably determined at June 30, 2018.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2018

	Total Commitment	Completed to Date	Outstanding Commitment
Center for Excellence in Engineering and Technology - Cornett Hall Renovation - Phase 1	$ 11,670	$ 6,128	$ 5,542
Center for Excellence in Engineering and Technology - Cornett Hall Renovation - Phase 2	38,475	90	38,385
Utility Corridor and Storm Drainage	5,000	1,509	3,491
Capital Repair & Renewal	2,761	408	2,353
Softball Upgrades Project	1,125	85	1,040
Watershed Lab Project	155	-	155
	$ 59,186	$ 8,220	$ 50,966



18. Subsequent Events

In September 2018, Oregon Tech completed the purchase of unimproved real property in Klamath Falls. The purchase price for the land was $600.

19. University Foundation

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of Oregon Tech. The Oregon Tech Foundation (Foundation) is a legally separate, tax-exempt entity with an independent governing board. Although Oregon Tech 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 Oregon Tech and is discretely presented in the financial statements. The financial activity is reported for the year ended June 30, 2018.

During the years ended June 30, 2018 and June 30, 2017 gifts of $776 and $563, respectively, were transferred from the Foundation to Oregon Tech. The Foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the Oregon Tech component unit on pages 21 and 23 of this report.

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

Oregon Tech Foundation, 3201 Campus Drive, Klamath Falls, OR 97601-8801


Holman Premier

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON TECH'S CONTRIBUTIONS *
Public Employees Retirement System

	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 1,475	$ 1,044	$ 1,004	$ 838	$ 780	$ 710	$ 688
Contributions in relation to the contractually required contribution	1,475	1,044	1,004	838	780	710	688
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Oregon Tech's covered payroll	$ 14,443	$ 13,833	$ 12,912	$ 11,891	$ 10,803	$ 10,215	$ 9,967
Contributions as a percentage of covered payroll	10.2%	7.5%	7.8%	7.0%	7.2%	7.0%	6.9%

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

As of the Measurement Date June 30,	2017	2016	2015	2014	2013
Oregon Tech's proportion of the net pension asset /liability	0.12%	0.11%	0.10%	0.09%	0.09%
Oregon Tech's proportionate share of the net pension asset/(liability)	$ (15,678)	$ (16,969)	$ (6,027)	$ 2,133	$ (4,803)
Oregon Tech's covered payroll	$ 13,833	$ 12,912	$ 11,891	$ 10,803	$ 10,215
Oregon Tech's proportionate share of the net pension asset/liability as a percentage of its covered payroll	113.34%	131.42%	50.69%	19.74%	47.02%
Plan fiduciary net postion as a percentage of the total pension asset /liability	83.12%	80.53%	91.88%	103.59%	91.97%

SCHEDULE OF OREGON TECH'S PROPORTIONATE SHARE*
Total PEBB OPEB Liability

As of June 30,	**2018**	**2017**
Oregon Tech's allocation of the total OPEB liability	0.87%	0.86%
Oregon Tech's proportionate share of the total OPEB liability	$ 1,285	$ 1,239
Oregon Tech's covered payroll	26,281	24,752
Oregon Tech's proportionate share of the total OPEB liability as a percentage of its covered payroll	4.89%	5.01%
Total OPEB liability as a % of total covered payroll	4.42%	4.45%

*These schedules will eventually contain 10 years' worth of data. Only the data shown above was available at this time.

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON TECH'S PROPORTIONATE SHARE*
Net PERS RHIA OPEB Liability/(Asset)

As of the Measurement Date of June 30,	2017	2016
Oregon Tech's allocation of the net OPEB liability/(asset)	0.13%	0.12%
Oregon Tech's proportionate share of the net OPEB liability/(asset)	(55)	34
Oregon Tech's covered payroll	13,705	12,787
Oregon Tech's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	0.40%	0.27%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	108.88%	94.15%

SCHEDULE OF OREGON TECH PERS RHIA OPEB EMPLOYER CONTRIBUTION*

For Fiscal Years Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions[1]	$ 64	$ 65	$ 61	$ 62	$ 57	$ 53	$ 52	$ 22	$ 21
Contributions in relation to the actuarially determined contributions	64	65	61	62	57	53	52	22	21
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	14,443	13,705	12,787	11,769	10,693	9,738	9,530	8,950	8,402
Contributions as a percentage of covered payroll	0.44%	0.47%	0.48%	0.53%	0.53%	0.54%	0.55%	0.25%	0.25%

[1]For Actuarial Assumptions and Methods, see table in Note 15.

SCHEDULE OF OREGON TECH'S PROPORTIONATE SHARE*
Net PERS RHIPA OPEB Liability

As of the Measurement of June 30,	2018	2017
Oregon Tech's allocation of the net OPEB liability	0.43%	0.42%
Oregon Tech's proportionate share of the net OPEB liability	199	226
Oregon Tech's covered payroll	13,705	12,787
Oregon Tech's proportionate share of the net OPEB liability as a percentage of covered payroll	1.45%	1.77%
Plan fiduciary net position as a percentage of the total OPEB liability	34.25%	21.87%

SCHEDULE OF OREGON TECH PERS RHIPA OPEB EMPLOYER CONTRIBUTION*

For Fiscal Years Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions[1]	$ 59	$ 52	$ 49	$ 27	$ 25	$ 13	$ 13	$ 5	$ 5
Contributions in relation to the actuarially determined contributions	59	52	49	27	25	13	13	5	5
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	14,443	13,705	12,787	11,769	10,693	9,738	9,530	8,950	8,402
Contributions as a percentage of covered payroll	0.41%	0.38%	0.38%	0.23%	0.23%	0.13%	0.14%	0.06%	0.06%

[1]For Actuarial Assumptions and Methods, see table in Note 15.

*These schedules will eventually contain 10 years' worth of data. Only the data shown above was available at this time.

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

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541-885-1105

Oregon TECH

Oregon Institute of Technology

Oregon Institute of Technology

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