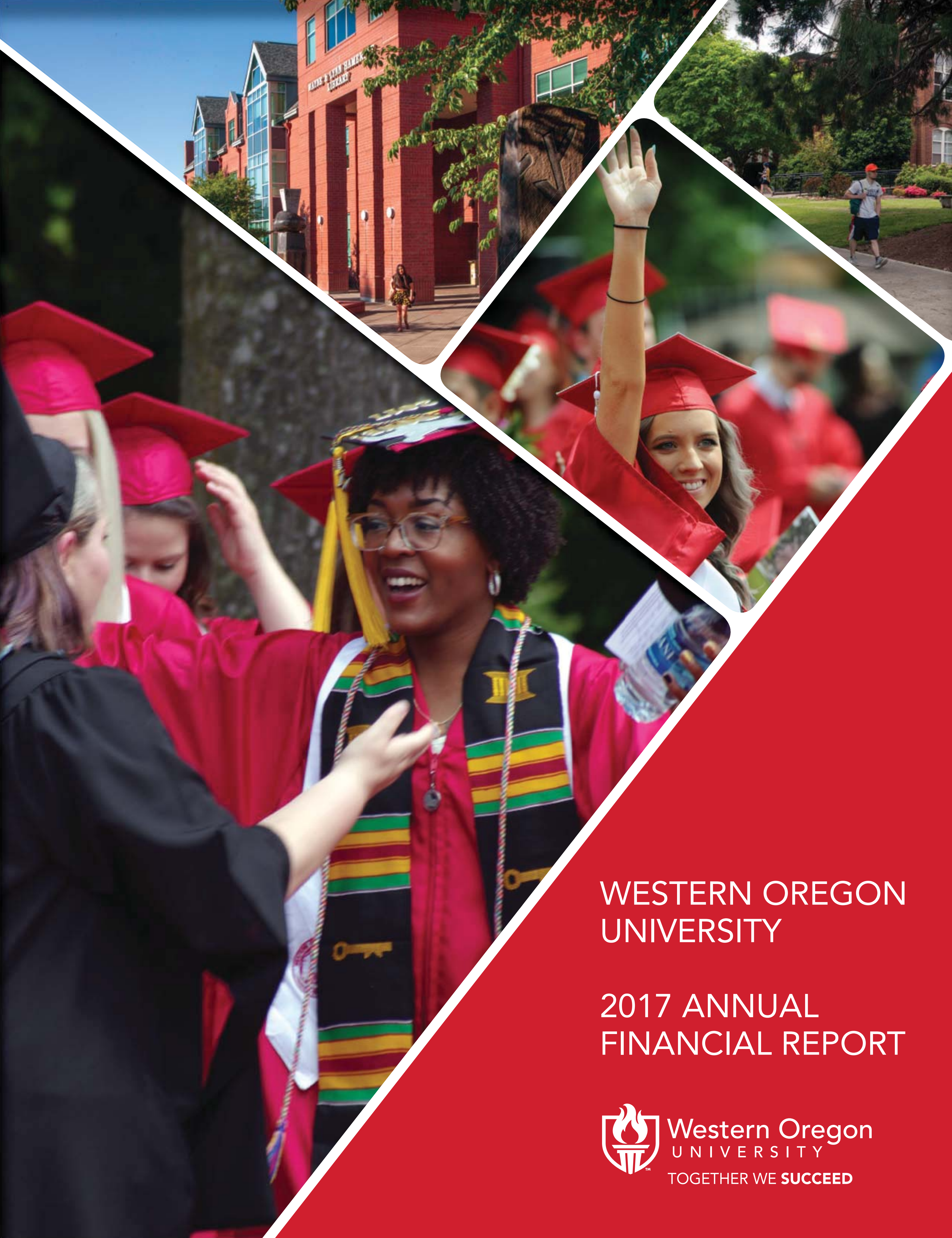

WESTERN OREGON UNIVERSITY

2017 ANNUAL FINANCIAL REPORT

Western Oregon
UNIVERSITY
TOGETHER WE **SUCCEED**

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PRESIDENT'S CABINET

Rex Fuller	President
Curtis Campbell	Executive Director, Intercollegiate Athletics
Gary Dukes	Vice President for Student Affairs
Ryan Hagemann	Vice President and General Counsel
Erin McDonough	Executive Director, Strategic Communications and Marketing
Stephen Scheck	Provost and Vice President for Academic Affairs
LouAnn Vickers	Executive Assistant to the President
Eric Yahnke	Vice President for Finance and Administration

The 2016-2017 academic year was turbulent with respect to outside budgetary matters, yet Western Oregon University (WOU, Western, or the University) recorded significant on-campus accomplishments. Although we expect to face funding challenges in the years ahead, during the past year, Western Oregon University was able to meet the needs of our students, faculty and staff thanks to judicious use of our financial resources.

The Western Oregon University community – faculty and staff alike – believes in the power of education to improve individuals' lives, families and communities. We are as deeply committed to serving Oregon residents now as our founders were in 1856 when they established the first public university in the state.

Our undergraduate and graduate programs provide educational opportunities in career fields that are important to Oregon. Western makes Oregon a better place by enrolling Oregon residents, who represent about 80 percent of our student body.

Western is also known for its commitment to continuous improvement and student success. WOU's TRiO Student Support Service improves retention and graduation rates for our first-generation and under-represented students. Additionally, the National Academic Advising Association recognized the work of WOU advisers in 2016. Western has been the recipient of many awards over the past decade.

One highlight of the year was the formation and finalization of our university-wide strategic plan: Forward Together. The plan evolved during a 10-month period from April 2016 to January 2017 and included input from hundreds of stakeholders. Forward Together will be the guiding force behind all university decisions and practices until the year 2023.

The strategic plan was approved by the WOU Board of Trustees in January and by the Higher Education Coordinating Commission soon after. Our Strategic Communications and Marketing department transformed the language of Forward Together into a marketing campaign, which was rolled out during spring term. With a consistent, student success-focused message being shared by everyone involved with our university, we will be better equipped to make Western Oregon the campus of choice for Oregon students.

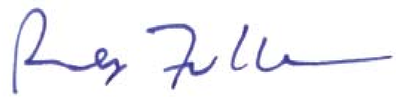
Of course, we already offer a great deal of benefits to our students. Our affordable tuition and innovative payment options mean that students can earn their degrees with less debt to manage after graduation. Relieving the financial burden for students and their families through scholarship options, work study programs and other campus opportunities is one of the priorities named in our strategic plan. We want to put a four-year degree within reach for Oregon families, and we partner with them to make it happen.

In September 2016, we opened the Robert Woodcock Education Center, a state-of-the art facility that provides nearly 60,000 square feet of office, classroom and support space on campus. The new building enables the College of Education to continue to graduate teachers for Oregon schools.

Construction crews have completed our student health and counseling building, which brings a higher level of functionality to our physical and mental health support services. The facility was completed at the beginning of June 2017, and services were transitioned from the old building to the new space during summer term. We are excited to be able to share this resource with both current enrollees and potential students, whose parents want to be certain their children will be well taken care of while they are on our campus.

Looking forward to the 2017-2018 school year, we anticipate the Oregon Military Academy building will be transferred to Western's possession in September. It promises to be a resource that enhances student success. Also in the fall, a renovation of the natural science building will begin. The renovation project will provide improved student learning space and faculty offices and research space to engage our students in undergraduate research projects.

We are excited about the direction Western Oregon University is moving under our new strategic plan. I am more confident than ever that WOU will continue to thrive and achieve in all aspects. Our proactive approach to student success, opportunities for intellectual engagement and a transformative education will continue no matter what the future brings because together we succeed.



Rex Fuller, President

Western Oregon University Extends Grant with Department of Justice

WOU's The Research Institute (TRI) and the U.S. Department of Justice Office on Violence Against Women extended their six-year relationship until at least 2019. A $300,000 grant sealed the deal.

The continuation agreement is a significant coup for Western Oregon University. Not only does it reflect the outstanding violence education and prevention programming the University has offered since 2010, the first year of the partnership, but it also allows the WOU Campus Against Sexual Assault (CASA) program to continue supporting students for another three years.

The CASA program focuses on sexual assault, dating and domestic violence and stalking. In addition to hosting events and services, members of the CASA team work with local law enforcement, community members, campus security and a wide range of university programs to support those currently caught in interpersonal violence situations as well as survivors of violence.

WOU Selected by State for Career Mentor Program

In June 2016, the Oregon Legislature approved SB860, which established funding for a career mentoring pilot program to be introduced at one large state college and one regional university. Western Oregon University was honored to be chosen as the smaller school to launch the pilot program.

Throughout the school year, coordinator Annie Friedman built a database of dozens of WOU alumni working in the professional realm. They agreed to work with and mentor current students as well as participate in a number of career-focused events on campus. Some students eventually were paired one-on-one with alumni mentors, while others chose to establish a virtual partnership in which they called upon their mentors electronically as needed.

Although the future of the program will be determined by the Legislature this year, even if it doesn't continue, its legacy has been established. The database Friedman created is available to all students, empowering them to make a connection with a professional mentor – who also just happens to be a WOU alum.

WOU Student-Athletes Achieve National Champion Status

The WOU Track and Field team had monumental success in both the indoor and outdoor seasons this year, culminating in Great Northwest Athletic Conference titles and national titles in two events.

During the indoor season, the distance medley relay team comprising David Ribich, Josh Dempsey, Dustin Nading and AJ Holmberg took home the national NCAA Division II title. The group edged out competitor Adams State by one one-thousandth of a second.

David Ribich made history again during the outdoor season in spring term, when he took home the D-II national championship in the 1,500 meters. He had won both the 800 meters and 1,500 meters at the GNAC outdoor championships and went on to be named GNAC male athlete of the year.

WOU student athlete David Ribich runs at a GNAC event during the indoor season.

WOU Uses HECC Grant to Create STEM Scholars Program

In summer of 2016, the Higher Education Coordinating Commission approved funding for a one-year pilot at WOU that created the STEM Scholars program. It was offered to traditionally underrepresented students participating in science, technology, engineering and mathematics degree tracks at WOU.

The STEM Scholars program seeks to support students interested in going into any of the STEM fields. Participants have the opportunity to attend study skills workshops, apply for internship and research positions, build one-on-one relationships with WOU faculty, visit local STEM industry sites, and receive tutoring and advice from peer mentors. WOU faculty and staff are looking forward to continuing the program into the future and are awaiting a decision from the Legislature about funding.


Take Back the Night participants stage the closing ceremony. The event is presented by Campus Against Sexual Assault (CASA).

WOU Welcomes Three Important New Employees

This spring, WOU moved forward on several hiring decisions for three important positions.

The first selection was Kathleen Cassity of Honolulu, who will be WOU's new dean of the College of Liberal Arts and Sciences. Most recently, Cassity served as the assistant interim dean of the College of Liberal Arts at Hawaii Pacific University and also was chairwoman of the Department of English and Applied Linguistics. Dr. Cassity earned accolades from Provost and Vice President of Academic Affairs Stephen Scheck for her dedication to student mentoring and student learning outcomes, two of the top priorities cited in WOU's new strategic plan.

Abdus Shahid joined WOU as director of institutional research in May. Dr. Shahid has an extensive background in higher education research, including positions at the University of Pennsylvania, the Oregon University System, the Oregon Higher Education Coordinating Commission, and, most recently, St. John's University in New York. He has deep experience with a number of online platforms and programs, all of which match the practices at WOU.

Finally, after an extensive search for a new Executive Director of Intercollegiate Athletics, WOU appointed Curtis Campbell, who most recently served as director of Athletics at NCAA Division II institution Tuskegee University in Alabama. He boasts 17 years of experience in intercollegiate athletics at both the D-II and D-III levels and has overseen multiple athletic construction projects. He also has been active in NCAA governance as a current member of the D-II Management Council and D-II Planning and Finance Committee.

Other highlights from 2016-2017

- WOU was recognized as the No. 11-ranked university for gerontology, according to Great Value Colleges. It is the only university in Oregon that offers a bachelor's degree in gerontology.
- WOU is among the top 200 colleges for Native Americans according to "Winds of Change" magazine.
- WOU is the top mainland university for Native Hawaiian or other Pacific Islander students, according to Chronicle of Higher Education.
- The Cesar E. Chavez Leadership Conference executive board selected WOU to be the permanent home of the event, which gathers 2,000-plus Latino/a students to learn leadership skills.
- WOU again received Tree Campus USA recognition from the Arbor Day Foundation.

Independent Auditor's Report

To the Board of Trustees
Western Oregon University
Monmouth, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Oregon University (the University), a component unit of the State of Oregon, as of and for the year ended June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Western Oregon University Development Foundation (the Foundation). Those 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 Foundation, 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 for the Foundation 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
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 University and its discretely presented component unit as of June 30, 2017, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in financial position, and cash flows attributable to the University. They do not purport to, and do not present fairly the financial position of the State of Oregon as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles general accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter – Supplementary Information

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension asset/(liability) and employer contributions, and the funding status of other postemployment benefits as noted 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the University's basic financial statements. The WOU Board of Trustees, the Message from the President, the Top University Accomplishments, and the Financial Ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. This other information 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 a report dated November 14, 2017, 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, 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 results 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.

Eide Bailly LLP

Boise, Idaho
November 14, 2017

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Western Oregon University (WOU, the University) for the year ended June 30, 2017 with comparative data for the fiscal years ended June 30, 2016 and June 30, 2015. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and footnotes.

Annual Full Time Equivalent (FTE) Student Enrollment Summary:

2017	2016	2015	2014	2013
4,571	4,700	4,812	5,017	5,183

Understanding the Financial Statements

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

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

Statement of Net Position (SNP) presents a snapshot of WOU assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting as of June 30, for each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much WOU owes to vendors and the State of Oregon; and net position delineated based upon their availability for future expenditures.

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

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

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

The Component Unit, comprised of a supporting foundation, is discretely presented in the WOU financial statements and in Notes 2 and 20.

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

Financial Summary

The University's financial position declined slightly in the past year with a decrease in total net position as of June 30, 2017 of $3,703 thousand. During 2017, unrestricted net position decreased by $5,859 thousand primarily due to a decrease of $5,850 thousand resulting from increases in the net pension liability and associated deferred outflows and inflows of resources associated with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The decrease was offset by an increase in net investment in capital assets of $3,062 thousand, and a decrease in restricted net expendable position of $906 thousand.

The University's financial position improved during 2016 with an increase in net position as of June 3, 2016 of $44,853 thousand. During 2016, net position increased by $37,257 thousand due to the change in entity for WOU, which includes the removal of state paid debt along with the removal of cash held by trustee related to the state paid debt. This increase was offset by decreases due to the net pension asset reported in 2015 moving to a net pension liability in 2016.

Statement of Net Position

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

The following summarizes WOU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

Condensed Statement of Net Position (in 000's)

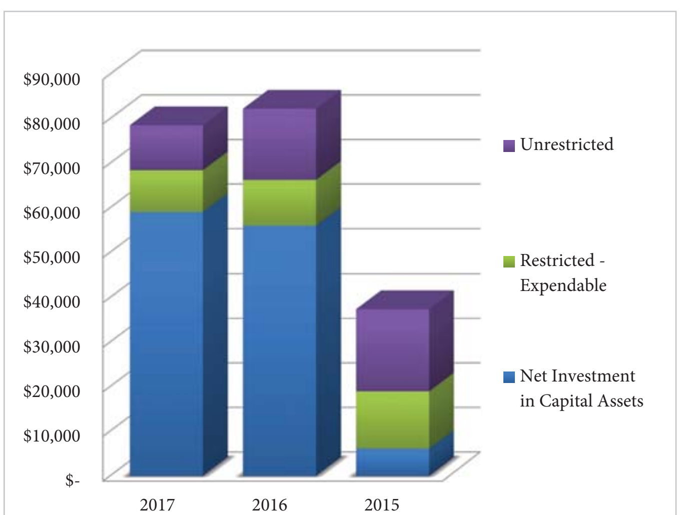
As of June 30,	2017	2016	2015
Current Assets	**$ 27,216**	$ 27,221	$ 25,382
Noncurrent Assets	**35,009**	37,719	61,875
Capital Assets, Net	**112,473**	111,936	101,245
Total Assets	**$ 174,698**	$ 176,876	$ 188,502
Deferred Outflows of Resources	**$ 20,912**	$ 3,394	$ 4,800
Current Liabilities	**$ 20,264**	$ 21,277	$ 24,008
Noncurrent Liabilities	**96,420**	73,504	122,337
Total Liabilities	**$ 116,684**	$ 94,781	$ 146,345
Deferred Inflows of Resources	**$ 375**	$ 3,235	$ 9,556
Net Investment in Capital Assets	**$ 59,051**	$ 55,989	$ 6,116
Restricted - Nonexpendable	-	-	-
Restricted - Expendable	**9,383**	10,289	12,823
Unrestricted	**10,117**	15,976	18,462
Total Net Position	**$ 78,551**	$ 82,254	$ 37,401

Total Net Position

Total net position decreased by $3,703 thousand, or 5 percent, during 2017 due mainly to a decrease in unrestricted net position due to increases in the net pension liability and associated deferred outflows and deferred inflows of resources, offset by an increase in net investment in capital assets.

During 2016, total net position increased by $44,853 thousand, or 120 percent, due mainly to the addition of $37,257 to WOU's bottom line as the result of the change in entity. See Note 18 Change in Entity for additional information. Expendable and non-expendable restrictions on net position do not significantly affect the availability of resources for future use.

As illustrated by the following graph, the make-up of net position changed between 2017, 2016 and 2015 (in 000's).



Comparison of fiscal year 2017 to fiscal year 2016

Net Investment in Capital Assets increased by $3,062 thousand, or 5 percent.

- Capital asset increases of $4,860 thousand were offset by a $4,323 thousand increase to accumulated depreciation for a net increase in capital assets of $537.
- Long-term debt outstanding attributable to the capital assets decreased by $2,525 thousand due to debt service payments made on outstanding debt. See Note 8 Long-Term Liabilities for additional information.

See also Changes to Capital Assets on page 19 and Note 5 Capital Assets for additional details.

Restricted Expendable Net Position decreased by $906 thousand, or 9 percent.

- Net position related to gifts, grants and contracts decreased by $576 thousand due primarily to a decrease in federal restricted funds at year end.
- Net position related to student loans increased by $589 thousand primarily due to an increase in cash held related to Perkins loans at year end.
- Net position relating to the funding of capital projects decreased by $858 thousand primarily as the result of the majority of ongoing capital projects being funded on a cost reimbursable basis from the State.
- Net position relating to funds reserved for debt service decreased by $61 thousand primarily as the result of a decrease in cash held restricted for debt service at year end.

Unrestricted Net Position decreased by $5,859 thousand, or 37 percent.

- Unrestricted operations, which includes education, auxiliaries, and general business type activities, increased unrestricted net position by $352 thousand.
- Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP), other post employment benefits (OPEB), compensated absences, and faculty credit banking decreased unrestricted net position by $361 thousand.
- Changes associated with year-end accruals for the PERS net pension liability decreased unrestricted net position by $5,850 thousand.

See Note 9 Unrestricted Net Position for additional information.

Comparison of fiscal year 2016 to fiscal year 2015

Net Investment in Capital Assets increased by $49,873 thousand, or 815 percent.

- Capital asset increases of $15,015 thousand were offset by a $4,324 thousand increase to accumulated depreciation for a net increase in capital assets of $10,691.
- Long-term debt outstanding attributable to the capital assets decreased by $39,182 thousand due to the removal of state paid debt, the removal of bond cash held by trustee, and debt service payments made on outstanding debt. See Note 8 Long-Term Liabilities and Note 18 for additional information.

See also Changes to Capital Assets on page 19 and Note 5 Capital Assets for additional details.

Restricted Expendable Net Position decreased by $2,534 thousand, or 20 percent.

- Net position related to gifts, grants and contracts increased by $744 thousand due primarily to an increase in federal restricted funds at year end.
- Net position related to student loans decreased by $55 thousand primarily due to decreased payments on student loans and an increase in the allowance for doubtful accounts.
- Net position relating to the funding of capital projects decreased by $517 thousand primarily as a result of the removal of restrictions on the spending of some repair and maintenance funds as the result of WOU's change in legal status.
- Net position relating to funds reserved for debt service decreased by $2,706 thousand primarily due to the removal of the state paid debt and the University no longer needing to reserve as much for debt service payments.

Unrestricted Net Position decreased by $2,486 thousand, or 13 percent.

- Unrestricted operations, which includes education, auxiliaries, and general business type activities, increased unrestricted net position by $7,871 thousand.
- Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP), other post employment benefits (OPEB), and compensated absences increased unrestricted net position by $100 thousand.
- Changes associated with year-end accruals for the PERS net pension liability decreased unrestricted net position by $10,457 thousand.

See Note 9 for additional information.

Total Assets and Deferred Outflows of Resources

Total Assets decreased by $2,178 thousand, or 1 percent, during the year ended June 30, 2017. Increases to cash and cash equivalents were offset by decreases to accounts receivable and investments. Total Assets decreased by $11,625 thousand, or 6 percent, during the year ended June 30, 2016. Increases to accounts receivable, investments, and net capital assets were offset by decreases in cash and cash equivalents, notes receivable, inventories and net pension asset.

Comparison of fiscal year 2017 to fiscal year 2016

Current Assets decreased by $5 thousand, or less than 1 percent, primarily due to:

- Current cash and cash equivalents increased by $4,118 thousand. Cash held in building and equipment reserves decreased by $1,050. Cash for operations increased by $2,924. Cash further increased due to a lower proportion of cash converted to investments at year end.
- Accounts receivable decreased by $3,897 thousand. Decreases in receivables for state grants and capital projects, along with an increase in the allowance for doubtful accounts were offset by an increase in receivables for student tuition and fees. See Note 3 Accounts Receivable for additional information.

Noncurrent Assets decreased by $2,710 thousand, or 7 percent, primarily due to:

- Noncurrent cash and cash equivalents increased by $142 thousand. Decreases in cash held for capital construction and debt service were offset by a decrease in the proportion of cash converted to investments at year end.
- Investments decreased by $2,942 thousand due to a decrease in the proportion of cash converted to investments and a decrease in unrealized gain on investments.

Capital Assets, Net increased by $537 thousand, or less than 1 percent. Capitalized acquisitions net of disposals and adjustments added $4,860, which was offset by an increase of $4,323 in accumulated depreciation. See Capital Assets in this MD&A and Note 5 Capital Assets for additional information.

Deferred Outflows of Resources increased by $17,518 thousand, or 516 percent, related to changes in accruals for the net pension liability. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2016 to fiscal year 2015

Current Assets increased by $1,839 thousand, or 7 percent, primarily due to:

- Current cash and cash equivalents decreased by $2,877 thousand. Lower cash balances combined with a higher proportion of cash being converted to investments to decrease current cash and cash equivalents at year end.
- Accounts receivable increased by $5,468 thousand. Increases in student tuition and fees, state grants and capital construction grants from the state were somewhat offset by an increase in the allowance for doubtful accounts related to student tuition and fees. See Note 3 Accounts Receivable for additional information.

Noncurrent Assets decreased by $24,156 thousand, or 39 percent, primarily due to:

- Noncurrent cash and cash equivalents decreased by $22,704 due primarily to the change in legal status of WOU and the University no longer holding cash at trustee related to bonds for capital construction projects. Bond cash for capital construction projects is now held by the State and received by the University on a cost reimbursement basis.
- Investments increased by $3,551 thousand due to a much higher proportion of cash being converted to investments and held as investments at year end.
- Net pension asset decreased by $4,952 to zero. WOU recorded a net pension liability as of June 30, 2016. See Non-Current Liabilities later in this MD&A for further discussion.

Capital Assets, Net increased by $10,691 thousand, or 11 percent. Capitalized acquisitions net of disposals and adjustments added $15,015, which was offset by an increase of $4,324 in accumulated depreciation. See Capital Assets in this MD&A and Note 5 Capital Assets for additional information.

Deferred Outflows of Resources decreased by $1,406 thousand, or 29 percent.

- Deferred outflows related to deferred gain/loss on long-term debt bond refunding decreased by $2,865 thousand to zero, due to the removal of unamortized gain/loss on refunding associated with state paid and legacy debt per debt agreements with the State. See Note 18 Change in Entity.
- Deferred outflows related to changes in net pension asset/liability increased by $1,459. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Total Liabilities and Deferred Inflows of Resources

Total liabilities increased by $21,903 thousand, or 23 percent, during the year ended June 30, 2017 due mainly to an increase in the net pension liability slightly offset by a decrease in noncurrent long-term liabilities and accounts payable and accrued liabilities. Total liabilities decreased by $51,564 thousand, or 35 percent, during the year ended June 30, 2016 due mainly to the removal of $62,344 thousand of state paid debt, which was slightly offset by the recording of $13,285 thousand net pension liability.

Comparison of fiscal year 2017 to fiscal year 2016

Current Liabilities decreased by $1,013 thousand, or 5 percent, due primarily to:

- The current portion of long-term liabilities increased by $310 thousand primarily due to previously issued debt coming due in the next year. See Debt Administration later in this MD&A as well as Note 8 Long-Term Liabilities.
- Accounts payable and accrued liabilities decreased by $1,863 thousand due primarily to a decrease in accounts payable for services and supplies associated with capital construction projects. See Note 7 Accounts Payable and Accrued Liabilities for additional information.
- Unearned revenue increased by $805 thousand due primarily to an increase in prepaid tuition and fees.

Noncurrent Liabilities increased by $22,916 thousand, or 31 percent. A decrease of $3,312 in noncurrent long-term liabilities was offset by an increase of $26,228 in net pension liability. See Debt Administration later in this MD&A as well as Note 13 Employee Retirement Plans.

Deferred Inflows of Resources decreased by $2,860 thousand, or 88 percent, related to changes in accruals for the net pension liability. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2016 to fiscal year 2015

Current Liabilities decreased by $2,731 thousand, or 11 percent, due primarily to:

- The current portion of long-term liabilities decreased by $4,022 thousand primarily due to the removal of state paid debt. See Debt Administration later in this MD&A as well as Note 8 Long-Term Liabilities and Note 18 Change in Entity.
- Accounts payable and accrued liabilities increased by $1,950 thousand. Increases in accounts payable for services and supplies, salaries and wages, contract retainage and other payroll related items were offset by decreases in financial aid and accrued in-

terest payable. See Note 7 Accounts Payable and Accrued Liabilities for additional information.

- Unearned revenue decreased by $109 thousand due primarily to a decrease in prepaid tuition and fees.

Noncurrent Liabilities decreased by $48,833 thousand, or 40 percent, primarily due to the removal of $62,344 in state paid debt, offset by the addition of $13,285 thousand in net pension liability. See Debt Administration later in this MD&A as well as Note 18 Change in Entity and Note 13 Employee Retirement Plans.

Deferred Inflows of Resources decreased by $6,321 thousand, or 66 percent, related to changes in accruals for the net pension liability. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

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

Due to the classification of certain revenues as nonoperating revenue, WOU shows a loss from operations. State general fund appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of WOU:

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

For the Year Ended June 30,	2017	2016	2015
Operating Revenues	$ 66,124	$ 66,234	$ 66,256
Operating Expenses	110,977	110,916	92,370
Operating Loss	(44,853)	(44,682)	(26,114)
Nonoperating Revenues,			
Net of Expenses	37,851	36,512	29,341
Other Revenues	3,299	15,766	3,564
Increase in Net Position Prior to Special/Extraordinary Items	(3,703)	7,596	6,791
Special and Extraordinary Item	-	37,257	5,810
Increase in Net Position After Special/Extraordinary Items	(3,703)	44,853	12,601
Net Position, Beginning of Year	82,254	37,401	24,800
Net Position, End of Year	$ 78,551	$ 82,254	$ 37,401

Net position decreased by $3,703 thousand, or 5 percent, in 2017 compared to an increase of $44,853 thousand, or 120 percent, in 2016. The decrease in 2017 resulted primarily from a decrease in capital grants. The increase in 2016 resulted primarily from the change in entity which decreased the liabilities, increased the assets and increased the ending net position of the University.

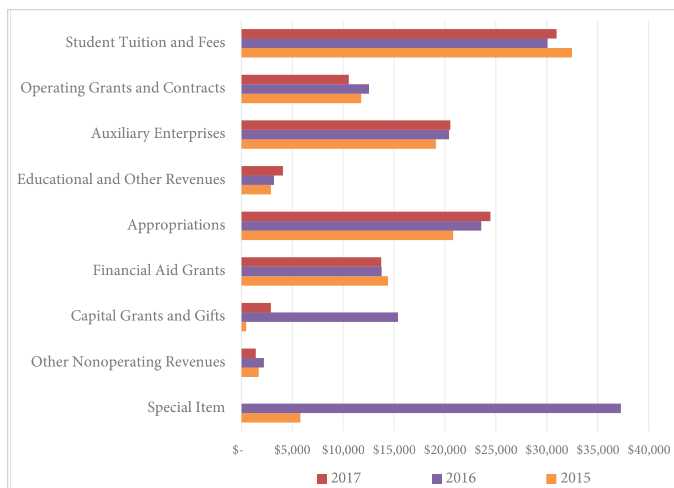
Revenues and Special Items

Total revenues decreased by $49,743 thousand, or 31 percent in 2017 over 2016. The decrease is primarily due to the Special/Extraordinary Item adding $37,257 in nonoperating revenue in fiscal year 2016.

Total Operating, Nonoperating, Other Revenues and Special Items (in 000's)

For the Year Ended June 30,	2017	2016	2015
Student Tuition and Fees	$ 30,952	$ 30,065	$ 32,457
Grants and Contracts	10,537	12,541	11,789
Auxiliary Enterprises	20,532	20,396	19,093
Educational and Other	4,103	3,232	2,917
Total Operating Revenues	66,124	66,234	66,256
Appropriations	24,469	23,570	20,818
Financial Aid Grants	13,769	13,773	14,421
Gifts	882	898	1,024
Investment Activity	533	1,059	558
Capital Grants and Gifts	2,907	15,374	500
Gain (Loss) on Sale of Assets, Net	2	264	128
Total Nonoperating Revenues	42,562	54,938	37,449
Special/Extraordinary Items	-	37,257	5,810
Total Revenues	$ 108,686	$ 158,429	$ 109,515

Total Operating, Nonoperating, Other Revenues and Special Items (in 000's)



Operating Revenues

Total operating revenues decreased by $110 thousand in 2017, or less than 1 percent over 2016, to $66,124 thousand. This decrease is due to a decrease in federal grants and contracts only slightly offset by increases in all other categories of operating revenue. Total operating revenues decreased by $22 thousand in 2016, or less than 1 percent over 2015, to $66,234 thousand. This decrease is due to a decrease in net student tuition and fees, offset by increases in grants and contracts, auxiliary enterprises and education and other revenues.

Comparison of fiscal year 2017 to fiscal year 2016

Net Student Tuition and Fees increased by $887 thousand, or 3 percent.

- Tuition and fees increased by $593 thousand. Tuition increased by $1,539 due to rate increases offset by a decrease of $1,145 due to a decline in enrollment. Fees were up by $199 thousand due to only slight rate increases offset by the enrollment decrease.
- Fee remissions and scholarship allowances reduced tuition and fees by $240 thousand less than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $54 thousand.

Federal, State and Nongovernmental Grants and Contracts decreased by $2,004 thousand, or 16 percent.

- Federal grant and contract revenues decreased by $2,792 thousand primarily due to decreased U.S. Department of Education grants.
- State grant and contract activity increased by $682 thousand primarily due to increased grants from the Department of Human Services, the Department of Transportation and the Higher Education Coordinating Commission.
- Nongovernmental grant and contract activity increased by $106 thousand primarily due to increased commercial business grants and contracts.

Auxiliary Enterprises revenues increased by $136 thousand, or 1 percent.

- Student health services revenues increased by $46 thousand due primarily to increased student health fee revenue.
- Housing and dining revenues decreased by $7 thousand.
- Athletics revenues increased by $60 thousand. Increased revenues for post season, guarantees and miscellaneous other sources were slightly offset by decreased revenues from ticket sales.
- Parking revenues increased by $16 thousand primarily due to increased student parking fee and parking fine revenues.
- Bookstore revenues decreased by $100 thousand due primarily to decreased revenues from textbooks sales and rentals, art supplies, general supplies, and miscellaneous other sources.
- Student centers and activities revenues decreased by $22 thousand primarily due to decreased revenue from recreation pass and ticket sales.
- Other auxiliary revenues increased by $143 thousand primarily due to increased student building and incidental fees offset slightly by decreased revenue from services.

Educational Department Sales and Services and Other Operating revenues increased by $871 thousand, or 27 percent.

- Educational department sales and services decreased by $125 thousand primarily due to decreased miscellaneous revenue.
- Other operating revenue increased by $996 thousand due to increased interest income and collection charges on student accounts along with increased reimbursements from outside entities.

Comparison of fiscal year 2016 to fiscal year 2015

Net Student Tuition and Fees decreased by $2,392 thousand, or 7 percent.

- Tuition and fees increased by $137 thousand. Tuition increased by $1,112 due to rate increases offset by a decrease of $966 due to a decline in enrollment. Fees were down by $9 thousand due to only slight rate increases offset by the enrollment decrease.
- Fee remissions and scholarship allowances reduced tuition and fees by $2,815 thousand more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $285 thousand.

Federal, State and Nongovernmental Grants and Contracts increased by $752 thousand, or 6 percent.

- Federal grant and contract revenues increased by $1,208 thousand primarily due to an increase in grants from the U.S. Department of Education.
- State grant activity decreased by $494 thousand primarily due to a decrease in grants from the State Department of Education.
- Nongovernmental grant activity increased by $38 thousand primarily due to an increase in grants from non-affiliated foundations.

Auxiliary Enterprises revenues increased by $1,303 thousand, or 7 percent.

- Student health services revenues decreased by $16 thousand due primarily to decreased revenue from non-student fee funded medical services.
- Housing and dining revenues increased by $1,181 thousand primarily as the result of increased room and board revenue, combined with decreased financial aid allowances and bad debt expense.
- Athletics revenues increased by $69 thousand. Increased ticket sales and post season income were offset by decreased guarantee revenue.
- Parking revenues increased by $23 thousand primarily due to increased parking fines and parking permit revenues.
- Bookstore revenues decreased by $9 thousand due primarily to decreased textbook sales and rentals, offset by increased revenue from other sales.
- Student centers and activities revenues increased by $10 thousand primarily due to increased rental income.
- Other auxiliary revenues increased by $45 thousand. Decreased recreational center and incidental fee revenue was offset by increased general services revenue.

Educational Department Sales and Services and Other Operating revenues increased by $315 thousand, or 11 percent, due mainly to increased interest income on student accounts and increased miscellaneous revenue.

Nonoperating and Other Revenues

Nonoperating revenues decreased by $12,376 thousand, or 23 percent, during 2017 resulted mainly from decreased capital grants and gifts, investment activity and gain on sale of assets, offset by increased appropriations. Nonoperating revenues increased by $17,489 thousand, or 47 percent, during 2016 resulted mainly from increased capital grants and gifts, appropriations, investment activity, and gain on sale of assets, offset by decreased financial aid grants and gifts.

Comparison of fiscal year 2017 to fiscal year 2016

Government Appropriations increased by $899 thousand, or 4 percent.

- State appropriations in support of University operations increased by $899 thousand.
- State appropriations for SELP debt service were unchanged.

See Note 12 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $4 thousand, or less than 1 percent. Decreases in financial aid grants from federal, private and State Opportunity Grant sources were slightly offset by increases for Federal PELL, Federal TEACH and non-affiliated foundation sources.

Gifts decreased by $16 thousand, or 2 percent, due primarily to decreased commercial business in-kind gifts and affiliated foundation gifts.

Investment Activity revenues decreased by $526 thousand, or 50 percent, due primarily to a decrease in the net appreciation of investments slightly offset by a gain on the sale of investments. See Note 10 Investment Activity for additional information.

Capital Grants and Gifts decreased by $12,467 thousand, or 81 percent, due primarily to decreases in all forms of capital grants and gifts revenue, with the largest decrease related to revenue from State reimbursable capital construction grants.

Gain on Sale of Assets, Net decreased by $262 thousand, or 99 percent, due primarily to decreased sale of assets in 2017 as compared to 2016.

Comparison of fiscal year 2016 to fiscal year 2015

Government Appropriations increased by $2,752 thousand, or 13 percent.

- State appropriations increased by $5,388 thousand due to increased funding received from the State of Oregon. State appropriations support WOU operations.
- Debt service appropriations decreased by $2,636 thousand due to the removal of state paid debt. WOU will no longer receive general fund or lottery funds for the repayment of XI-G XI-Q, COPs and Lottery debt which is paid by the State. See Note 8 Long-Term Liabilities for additional details on this change.

See Note 12 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by $648, or 4 percent, due primarily to decreased federal PELL grants and state grants, offset by increases in other federal and private financial aid support.

Gifts decreased by $126 thousand, or 12 percent, due primarily to decreased affiliated foundation gifts and private gift in-kind revenue, offset by increased commercial business gift in-kind revenue.

Investment Activity revenues increased by $501 thousand, or 90 percent, due primarily to increased investment earnings and net appreciation of investments. See Note 10 Investment Activity for additional information.

Capital Grants and Gifts increased by $14,874 thousand, or 2975 percent. The large increase is due to the way in which WOU now receives state paid bond proceeds for capital construction. The bond proceeds and repayment are now the responsibility of the state. WOU receives reimbursement for capital expenses covered by the bonds in the form of capital grants. Fiscal year 2016 was the first time WOU recorded capital grants from the state for capital construction.

Gain on Sale of Assets, Net increased by $136 thousand, or 106 percent, due primarily to the sale of the presidents house during 2016. In lieu of a University-provided residence, the president now receives a monthly stipend as part of his salary and benefits package.

Special/Extraordinary Items

Special/Extraordinary Items decreased by $37,257 thousand to zero. There were no additional Special/Extraordinary Items to be recorded during fiscal year 2017 related to the close out of the OUS Chancellor's Office and the transition of the University to an independent public university.

During fiscal year 2016, WOU recorded a special/extraordinary item of $37,257 thousand. State paid long term debt, associated gain/loss on refunding, and premiums and discounts associated with legacy debt totaling $60,052 was removed from WOU and recorded by the State as the true owner of the debt. WOU also recorded the removal of $22,450 thousand in cash held by trustee related to state paid debt. See Note 18 Change in Entity for additional information.

Expenses

Operating Expenses

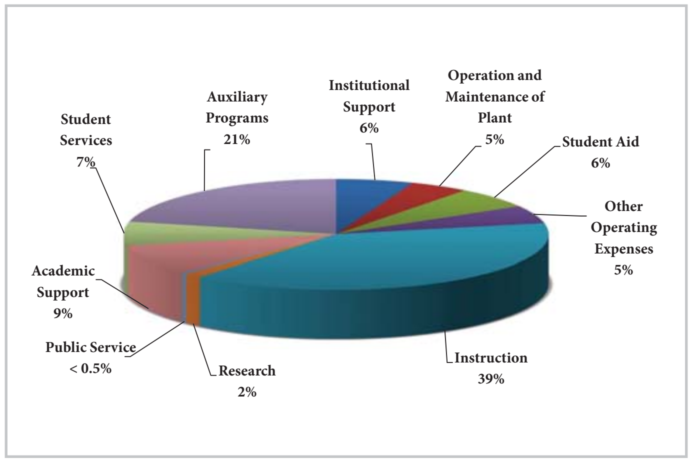
Operating expenses increased by $61 thousand in 2017, or less than 1 percent, compared to 2016, to $110,977 thousand. The 2017 increase resulted from increases in expenses for services and supplies offset by decreased in expenses for compensation and benefits and scholarship and fellowship. Operating expenses increased by $18,546 thousand in 2016, or 20 percent, compared to 2015, to $110,916 thousand. The 2016 increase resulted from a $16,830 thousand swing in compensation and benefit costs associated with reporting requirements under GASB Statement Nos. 68 and 71. See the discussion on the next page of the effect of GASB Statement Nos. 68 and 71 on operating expenses by function.

The following summarizes operating expenses by functional classification:

Operating Expense by Function (in 000's)

For the Year Ended June 30,	2017	2016	2015
Instruction	**$ 43,559**	$ 43,313	$ 33,943
Research	**1,534**	2,280	1,601
Public Service	**493**	422	323
Academic Support	**9,758**	9,823	8,350
Student Services	**7,747**	7,672	5,856
Auxiliary Programs	**23,691**	24,074	21,111
Institutional Support	**6,543**	6,684	4,569
Operation and Maintenance of Plant	**4,974**	5,463	4,011
Student Aid	**6,838**	7,156	8,596
Other Operating Expenses	**5,840**	4,029	4,010
Total Operating Expenses	**$ 110,977**	$ 110,916	$ 92,370

2017 Operating Expense by Function



The implementation of GASB Statement Nos. 68 and 71 beginning with fiscal year 2015 had a profound impact on the operating expenses reported by WOU. The following tables show the effect of GASB Statement Nos. 68 and 71 on operating expenses across the functional classifications:

Effect of GASB Statement Nos. 68 and 71 on Expense by Function (in 000's)

For the Year Ended June 30, 2017	As Reported	Without GASB 68/71	Difference
Instruction	$ 43,559	$ 40,974	$ 2,585
Research	1,534	1,425	109
Public Service	493	475	18
Academic Support	9,758	9,145	613
Student Services	7,747	7,190	557
Auxiliary Programs	23,691	22,901	790
Institutional Support	6,543	5,994	549
Operations & Maint. of Plant	4,974	4,441	533
Student Aid	6,838	6,838	-
Other Operating Expenses	5,840	5,744	96
Total Operating Expenses	**$ 110,977**	**$ 105,127**	**$ 5,850**

For the Year Ended June 30, 2016	As Reported	Without GASB 68/71	Difference
Instruction	$ 43,313	$ 38,746	$ 4,567
Research	2,280	2,067	213
Public Service	422	404	18
Academic Support	9,823	8,725	1,098
Student Services	7,672	6,734	938
Auxiliary Programs	24,074	22,536	1,538
Institutional Support	6,684	5,720	964
Operations & Maint. of Plant	5,463	4,463	1,000
Student Aid	7,156	7,156	-
Other Operating Expenses	4,029	3,908	121
Total Operating Expenses	$ 110,916	$ 100,459	$ 10,457

For the Year Ended June 30, 2015	As Reported	Without GASB 68/71	Difference
Instruction	$ 33,943	$ 37,472	$ (3,529)
Research	1,601	1,716	(115)
Public Service	323	333	(10)
Academic Support	8,350	8,910	(560)
Student Services	5,856	6,319	(463)
Auxiliary Programs	21,111	21,843	(732)
Institutional Support	4,569	5,013	(444)
Operations & Maint. of Plant	4,011	4,469	(458)
Student Aid	8,596	8,596	-
Other Operating Expenses	4,010	4,072	(62)
Total Operating Expenses	$ 92,370	$ 98,743	$ (6,373)

Without the adjustments to compensation and benefits required under GASB Statement Nos. 68 and 71, total operating expenses for WOU would have increased by $4,668 thousand, or 5 percent, during 2016 and by $1,716 thousand, or 2 percent, during 2016.

Operating Expenses by Nature

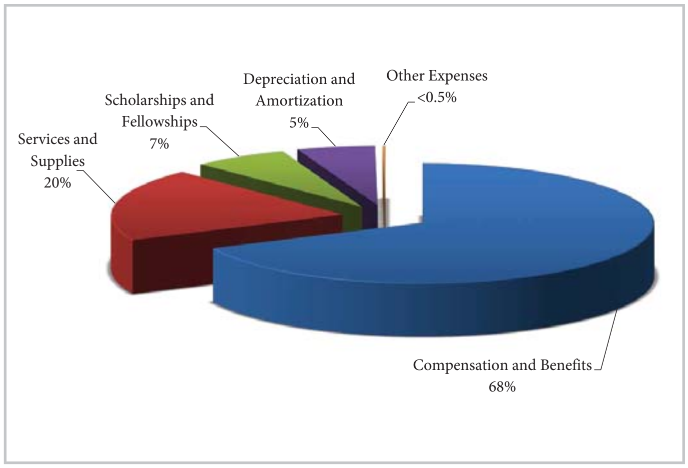
Due to the way in which expenses are incurred by WOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification
(in 000's)

For the Year Ended June 30,	**2017**	2016	2015
Compensation and Benefits	**$ 75,479**	$ 77,427	$ 56,941
Services and Supplies	**21,825**	19,492	20,314
Scholarships and Fellowships	**7,406**	7,785	9,371
Depreciation and Amortization	**6,067**	5,913	5,778
Other Expenses	**200**	299	(34)
Total Operating Expenses	**$ 110,977**	$ 110,916	$ 92,370

2017 Operating Expenses by Natural Classification



Comparison of fiscal year 2017 to fiscal year 2016

Compensation and Benefits costs decreased by $1,948 thousand, or 3 percent.

- Salary and wage costs increased by $1,628 thousand due to increased wages and a slight increase in faculty and staff employees.
- Retirement and health insurance costs increased by $960 thousand.
- Other payroll expenses decreased by $87 thousand
- Other costs associated with compensation and benefits increased by $62 thousand.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by $4,607 thousand. See table to the left and Note 13 Employee Retirement Plans for additional information on this variance.
- Other year end accruals associated with payroll, including hourly wages payable, compensated absenc-

es and other post-employment benefits (OPEB), increased by $96 thousand

Services and Supplies expense increased by $2,333 thousand, or 12 percent, during 2017. The increase was seen across many categories including general supplies, maintenance and repairs, rentals and leases, fees and services, and travel.

Scholarships and Fellowships expenses decreased by $379 thousand, or 5 percent. This net decrease corresponds to decreases in Federal, State opportunity grant, institutional and athletic aid, offset by increases in Federal TEACH, State, and affiliated foundation aid. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization expense increased by $154 thousand, or 3 percent, primarily due to recently constructed or refurbished buildings being placed in service during 2017.

Comparison of fiscal year 2016 to fiscal year 2015

Compensation and Benefits costs increased by $20,486 thousand, or 36 percent.

- Salary and wage costs increased by $2,583 thousand due to increased hires and wage increases.
- Retirement and health insurance costs increased by $876 thousand.
- Other payroll expenses increased by $354 thousand.
- Other costs associated with compensation and benefits decreased by $18 thousand.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 increased by $16,830 thousand. See table on the previous page and Note 13 Employee Retirement Plans for additional information on this variance.
- Other year end accruals associated with payroll, including hourly wages payable, compensated absences and other post-employment benefits (OPEB), decreased by $139 thousand.

Services and Supplies expense decreased by $822 thousand, or 4 percent, during 2016. This decrease was seen across many categories including utilities, rentals and leases, travel and other services and supplies. The decreases were partially offset by increases in communications and commodities for resale.

Scholarships and Fellowships expenses decreased by $1,586 thousand, or 17 percent. This net decrease corresponds to decreases in Federal Pell and affiliated foundation aid compounded by an increase in the amount of scholarship allowance reclassified to offset tuition and fee and housing revenues, offset by increases to institutional and private aid. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization expense increased by $135 thousand, or 2 percent, primarily due to recently constructed or refurbished buildings being placed in service during 2016.

Nonoperating Expenses

Comparison of fiscal year 2017 to fiscal year 2016

Interest Expense decreased by $306 thousand, or 12 percent, due primarily to decreased bond interest expense.

Other Nonoperating Items increased by $942 thousand, or 864 percent, due primarily to a refunding of underlying State XI-F(1) bond debt which resulted in a decrease in the University's contracts payable to the State.

Comparison of fiscal year 2016 to fiscal year 2015

Interest Expense decreased by $2,026 thousand, or 44 percent, due primarily to WOU no longer recording interest expense related to state paid debt.

Other Nonoperating Items decreased by $106 thousand, or 3533 percent, due primarily to prior year adjustments to fixed assets.

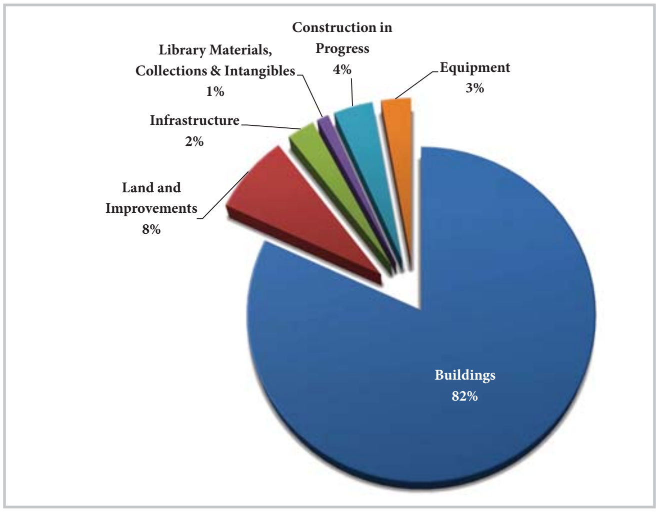
Transfers Within OUS decreased by $36 thousand to zero as the result of the close-out of the OUS Chancellor's Office and WOU becoming a separate, public university.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2017, WOU had $199,932 thousand in capital assets, less accumulated depreciation of $87,459 thousand, for net capital assets of $112,473 thousand. At June 30, 2016, WOU had $195,072 thousand in capital assets, less accumulated depreciation of $83,136 thousand, for net capital assets of $111,936 thousand. WOU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing WOU's deferred maintenance backlog. State, federal, private, debt, and internal WOU funding are all used to accomplish WOU's capital objectives.

2017 Capital Assets, Net - $112,473 Thousand



Changes to Capital Assets (in 000's)

For the Year Ended June 30,	2017	2016	2015
Capital Assets, Beginning of Year	$ 195,072	$ 180,057	$ 176,873
Add: Purchases/Construction	6,655	16,713	4,368
Less: Retirements/Disposals/Adjustments	(1,795)	(1,698)	(1,184)
Total Capital Assets, End of Year	199,932	195,072	180,057
Accum. Depreciation, Beginning of Year	(83,136)	(78,812)	(74,091)
Add: Depreciation Expense	(6,067)	(5,913)	(5,778)
Less: Retirements/Disposals/Adjustments	1,744	1,589	1,057
Total Accum. Depreciation, End of Year	(87,459)	(83,136)	(78,812)
Total Capital Assets, Net, End of Year	$ 112,473	$ 111,936	$ 101,245

Capital additions totaled $6,655 thousand for 2017, $16,713 thousand for 2016, and $4,368 thousand for 2015.

Capital asset additions for 2017 included $4,158 thousand for construction in progress for buildings, land improvements, infrastructure and improvements other than buildings, $658 thousand for land for non-depreciable land improvements associated with the Woodcock Education Center, $1,442 for equipment and $277 thousand for buildings. Capital asset additions for 2016 included construction in progress for buildings of $12,946 thousand, primarily for the Woodcock Education Center, which was completed and opened in early fiscal year 2017. Other capital asset additions during 2016 included $1,637 for buildings, $762 thousand for equipment, and $393 thousand for improvements other than buildings. Capital asset additions during 2015 included $2,873 for construction in progress for buildings, land improvements, infrastructure and improvements other than buildings and $1,394 for buildings.

See Note 5 Capital Assets for additional information.

Debt Administration

During 2017, long-term debt held by WOU decreased by $3,396 thousand, or 6 percent, from $57,587 thousand to $54,191 thousand.

- WOU made debt service principal payments totaling $2,252 thousand on outstanding long-term debt.
- The State refunded previously issued XI-F(1) debt, resulting in a net decrease to WOU's contracts payable of $845 thousand.
- WOU's obligation for accreted interest on outstanding debt decreased by a net $299 thousand.

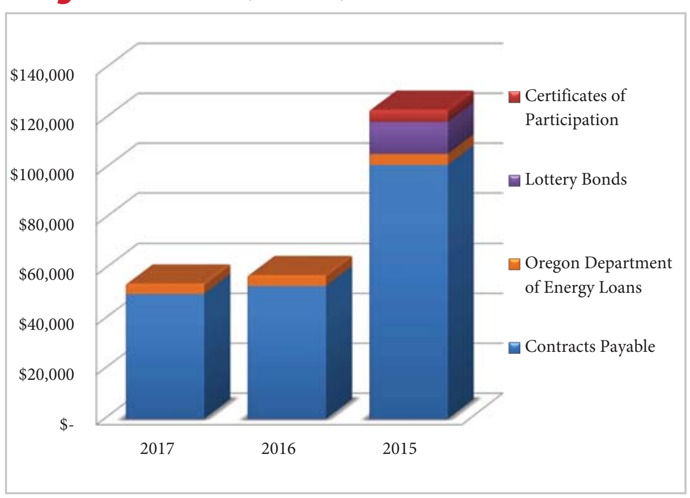
See Note 8 Long-Term Liabilities for additional details.

During 2016, long-term debt held by WOU decreased by $66,040 thousand, or 53 percent, from $123,627 thousand to $57,587 thousand.

- A total of $62,344 thousand of state paid General Obligation Bonds, Certificates of Participation and Lottery Bonds were removed, including all premiums and discounts associated with the state paid debt as well as the institution paid legacy debt that remains on WOU's books.
- WOU made debt service principal payments totaling $3,259 thousand on outstanding long-term debt.
- WOU's obligation for accreted interest on outstanding debt decreased by a net $437 thousand.

See Note 8 and Note 18 Change in Entity for additional details.

Long-term Debt (in 000's)



Economic Outlook

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

State funding for operations continue to challenge WOU's ability to meet its public mission of teaching, research and service while maintaining affordable access to higher education. Western appreciates the efforts by the legislature to provide funding to meet the on-going costs of operations for the university. Moreover, WOU acknowledges the difficult funding decisions required of legislature in balancing the various needs of the state in the 2017-19 biennium. In a difficult budget environment the Legislature added $73.5 million to the Governor's Recommended Budget, which partially addressed the statewide need of $100 million required for universities to keep tuition increases below 5%. With this added investment, Western was able to keep tuition increase to 6.5% for 2017-18 and the university expects to keep its increase for 2018-19 to 5% or less. The largest factor in Western's operating budget relates to overall personnel cost which total more than 85% of expenses. Increased compensation costs, salaries and fringe benefits, represent WOU's largest cost increase for the coming biennium. For example, significantly higher pension costs for the 2017-19 biennium are expected in light of increased cost associated with PERS. Additional cost increases for minimum wage and health care benefits are also anticipated.

Taken together, these issues present real challenges to WOU's long term financial stability. Without additional state support, Western has few options outside of tuition increases to generate additional revenue, and increased tuition hampers Western's efforts to keep higher education affordable for Oregon families.

Despite these challenges, the WOU Board of Trustees and university leadership remain committed to meeting the challenges of ensuring an affordable education, providing a complement of student support services that meet our students' unique needs, and improving the graduation rates of our students.

Western Oregon University plans for continued success in carrying out its core mission as a premier comprehensive public university by preparing for these challenges. We move forward with cautious determination, optimism and thoughtful preparation, recognizing Western Oregon University's academic distinction and success is the result of the hard work and dedication of outstanding faculty, staff, and academic leaders who place the needs of our students first.

	2017	2016	2015
Viability Ratio (expendable net position to long-term debt)	**0.42**	0.48	0.50
Primary Reserve Ratio (expendable net position to operating expenses)	**0.21**	0.25	0.35
Net Revenues Ratio (total net income to total revenues)	**-6.40%**	-7.52%	3.21%
Return on Net Assets Ratio (change in net position to beginning net position)	**-2.49%**	86.54%	31.83%
Debt Burden Ratio (debt service to total expenditures)	**3.87%**	4.71%	4.86%

VIABILITY RATIO

The Viability Ratio is a measure of clear financial health; the availability of expendable net position to cover debt should the University need to settle its obligations as of the fiscal year end. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the University plus the unrestricted and temporarily restricted net assets of the component unit. Long-term debt includes bonds, loans and capital leases payable by the University as well as the long-term liabilities of the component unit. A ratio of 1.00 or greater indicates an institution has sufficient expendable net position to satisfy debt requirements. WOU's Viability Ratio was 0.42 for fiscal year 2017.

PRIMARY RESERVE RATIO

The Primary Reserve Ratio, calculated by dividing expendable net position by operating expenses, measures the ability of the University to continue operating at current levels, within current restrictions, without future revenues. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the University plus the unrestricted and temporarily restricted net assets of the component unit. Total operating expenses include the operating expenses and interest expenses of both the University and the component unit. Proof of an adequate reserve ratio is often required to secure long-term financing. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. WOU's Primary Reserve Ratio was 0.21 for fiscal year 2017.

NET REVENUES RATIO

The Net Revenues Ratio indicates whether the University has an operating surplus or deficit for the year. Total net income includes operating income (loss) plus net nonoperating revenues of the University, excluding capital gifts and debt service appropriations, plus total change in unrestricted net assets of the component unit. Total revenues include operating and net nonoperating revenues of the University plus unrestricted revenues, gains and other support of the component unit. A positive ratio indicates that the University experienced an operating surplus for the year. WOU's Net Revenues Ratio was -6.40 percent for fiscal year 2017.

RETURN ON NET ASSETS RATIO

The Return on Net Assets Ratio determines whether the University is financially better off than in previous years by measuring total economic return. Total change in net position includes the change in net position for the University plus the change in total net assets for the component unit. Total beginning net position includes the beginning net position of the University plus the total beginning net assets of the component unit. A positive ratio indicates a net increase in total net position at the end of the year. WOU's Return on Net Assets Ratio for fiscal year 2017 was -2.49 percent.

DEBT BURDEN RATIO

The Debt Burden Ratio measures the cost of servicing the debt of the University. This ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures. Total debt service includes the interest and principal payments on capital debt of both the University and the component unit. Total expenditures includes total expenses, including any loss on sale of assets and transfers, less depreciation plus debt service principal payments of both the University and the component unit. WOU's Debt Burden Ratio for fiscal year 2017 was 3.87 percent.

As of June 30,	2017	2016
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	**$ 15,338**	$ 11,220
Collateral from Securities Lending (Note 2)	**1,341**	1,829
Accounts Receivable, Net (Note 3)	**7,403**	11,300
Notes Receivable, Net (Note 4)	**1,653**	1,577
Inventories	**1,127**	1,137
Prepaid Expenses	**354**	158
Total Current Assets	**27,216**	27,221
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	**1,986**	1,844
Investments (Note 2)	**30,022**	32,964
Notes Receivable, Net (Note 4)	**3,001**	2,911
Capital Assets, Net of Accumulated Depreciation (Note 5)	**112,473**	111,936
Total Noncurrent Assets	**147,482**	149,655
Total Assets	**$ 174,698**	$ 176,876
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 20,912**	$ 3,394
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	**$ 10,329**	$ 12,192
Deposits	**478**	255
Obligations Under Securities Lending (Note 2)	**1,341**	1,829
Current Portion of Long-Term Liabilities (Note 8)	**4,720**	4,410
Unearned Revenues	**3,396**	2,591
Total Current Liabilities	**20,264**	21,277
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)	**56,907**	60,219
Net Pension Liability (Note 13)	**39,513**	13,285
Total Noncurrent Liabilities	**96,420**	73,504
Total Liabilities	**$ 116,684**	$ 94,781
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 375**	$ 3,235
NET POSITION		
Net Investment in Capital Assets	**$ 59,051**	$ 55,989
Restricted Expendable For:		
Gifts, Grants and Contracts	**582**	1,158
Student Loans	**7,371**	6,782
Capital Projects	**1,013**	1,871
Debt Service	**417**	478
Unrestricted (Note 9)	**10,117**	15,976
Total Net Position	**$ 78,551**	$ 82,254

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

As of June 30,		**2017**		2016
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	$	779	$	468
Contributions, Pledges and Grants Receivable, Net		111		142
Investments (Note 2)		14,188		13,123
Due from WOU		210		191
Property and Equipment, Net		386		164
Total Assets	**$**	**15,674**	$	14,088
LIABILITIES				
Accounts Payable and Accrued Liabilities	$	58	$	30
Annuities Payable		1,024		1,035
Notes Payable		233		-
Total Liabilities	**$**	**1,315**	$	1,065
NET ASSETS				
Unrestricted	$	1,235	$	1,161
Temporarily Restricted		4,545		3,719
Permanently Restricted		8,579		8,143
Total Net Assets	**$**	**14,359**	$	13,023
Total Net Assets & Liabilities	**$**	**15,674**	$	14,088

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

For the Years Ended June 30,	2017	2016
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $13,366 and $13,659, respectively)	**$ 30,952**	$ 30,065
Federal Grants and Contracts	**7,952**	10,744
State and Local Grants and Contracts	**2,391**	1,709
Nongovernmental Grants and Contracts	**194**	88
Educational Department Sales and Services	**786**	911
Auxiliary Enterprises Revenues (Net of Allowances of $1,314 and $1,401, respectively)	**20,532**	20,396
Other Operating Revenues	**3,317**	2,321
Total Operating Revenues	**66,124**	66,234
OPERATING EXPENSES		
Instruction	**43,559**	43,313
Research	**1,534**	2,280
Public Service	**493**	422
Academic Support	**9,758**	9,823
Student Services	**7,747**	7,672
Auxiliary Programs	**23,691**	24,074
Institutional Support	**6,543**	6,684
Operation and Maintenance of Plant	**4,974**	5,463
Student Aid	**6,838**	7,156
Other Operating Expenses	**5,840**	4,029
Total Operating Expenses (Note 11)	**110,977**	110,916
Operating Loss	**(44,853)**	(44,682)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	**24,077**	23,178
Financial Aid Grants	**13,769**	13,773
Gifts	**882**	898
Investment Activity (Note 10)	**533**	1,059
Gain (Loss) on Sale of Assets, Net	**2**	264
Interest Expense	**(2,245)**	(2,551)
Other Nonoperating Items	**833**	(109)
Net Nonoperating Revenues	**37,851**	36,512
Loss Before Other Nonoperating Revenues	**(7,002)**	(8,170)
Debt Service Appropriations (Note 12)	**392**	392
Capital Grants and Gifts	**2,907**	15,374
Total Other Nonoperating Revenues	**3,299**	15,766
Increase (Decrease) In Net Position Prior to Special/Extraordinary Items	**(3,703)**	7,596
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 18)	-	37,257
Increase (Decrease) In Net Position After Special/Extraordinary Items	**(3,703)**	44,853
NET POSITION		
Beginning Balance	**82,254**	37,401
Ending Balance	**$ 78,551**	$ 82,254

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

For The Years Ended June 30,		2017		2016
		(In thousands)		
CHANGE IN UNRESTRICTED NET ASSETS				
REVENUES				
Contributions	$	**598**	$	407
Dividends and Interest		**27**		26
Realized and Unrealized Gains (Losses)		**15**		(7)
Net Assets Released From Restrictions		**1,403**		2,241
Other Revenues		**24**		31
Total Revenues		**2,067**		2,698
EXPENSES				
Program Services		**1,401**		2,205
Managerial and General		**418**		339
Fundraising		**174**		102
Total Expenses		**1,993**		2,646
Increase In Unrestricted Net Assets		**74**		52
Beginning Net Assets, Unrestricted		**1,161**		1,109
Ending Net Assets, Unrestricted	**$**	**1,235**	$	1,161
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS				
REVENUES				
Contributions	$	**840**	$	1,146
Dividends and Interest		**242**		463
Realized and Unrealized Gains (Losses)		**946**		(544)
Other Revenues		**201**		277
Net Assets Released From Restrictions		**(1,403)**		(2,241)
Increase (Decrease) In Temporarily Restricted Net Assets		**826**		(899)
Beginning Net Assets, Temporarily Restricted		**3,719**		4,618
Ending Net Assets, Temporarily Restricted	**$**	**4,545**	$	3,719
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS				
REVENUES				
Contributions	$	**388**	$	292
Dividends and Interest		**130**		46
Realized and Unrealized Losses		**(82)**		(144)
Increase In Permanently Restricted Net Assets		**436**		194
Beginning Net Assets, Permanently Restricted		**8,143**		7,949
Ending Net Assets, Permanently Restricted	**$**	**8,579**	$	8,143
Beginning Balance		**13,023**		13,676
Increase (Decrease) In Total Net Assets		**1,336**		(653)
Ending Balance	**$**	**14,359**	$	13,023

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

For the Years Ended June 30,	2017	2016
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 31,427	$ 30,056
Grants and Contracts	11,774	10,273
Educational Department Sales and Services	786	911
Auxiliary Enterprises Operations	20,663	20,308
Payments to Employees for Compensation and Benefits	(69,072)	(66,814)
Payments to Suppliers	(24,268)	(18,156)
Student Financial Aid	(7,413)	(7,209)
Other Operating Receipts	3,312	2,323
Net Cash Used by Operating Activities	(32,791)	(28,308)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	24,077	23,178
Financial Aid Grants	13,769	13,779
Other Gifts and Private Contracts	902	947
Net Internal Agency Fund Receipts (Payments)	223	67
Changes in Cash Due to Change in Entity	-	(22,450)
Net Cash Provided by Noncapital Financing Activities	38,971	15,521
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	392	392
Capital Grants and Gifts	5,585	11,322
Sales of Capital Assets	53	373
Purchases of Capital Assets	(6,436)	(16,382)
Interest Payments on Capital Debt	(2,438)	(2,311)
Principal Payments on Capital Debt	(2,551)	(3,696)
Net Cash Used by Capital and Related Financing Activities	(5,395)	(10,302)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	2,366	(3,395)
Income on Investments and Cash Balances	1,109	903
Net Cash Provided (Used) by Investing Activities	3,475	(2,492)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,260	(25,581)
CASH AND CASH EQUIVALENTS		
Beginning Balance	13,064	38,645
Ending Balance	$ 17,324	$ 13,064

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

For the Years Ended June 30,	2017	2016
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$ (44,853)**	$ (44,682)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	**6,067**	5,913
Pension Expense Related to Net Pension Liability	**5,850**	10,457
Changes in Assets and Liabilities:		
Accounts Receivable	**1,219**	(2,214)
Notes Receivable	**(166)**	15
Inventories	**10**	49
Prepaid Expenses	**(196)**	122
Accounts Payable and Accrued Liabilities	**(1,901)**	2,296
Long-Term Liabilities	**394**	(100)
Unearned Revenue	**785**	(164)
NET CASH USED BY OPERATING ACTIVITIES	**$ (32,791)**	$ (28,308)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	**$ -**	$ 453
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	**(576)**	156
Non-Cash Changes Related to Change in Entity	**-**	59,707

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Western Oregon University (WOU or University) is governed by the Western Oregon University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the State Senate. Prior to July 1, 2015, WOU was a member university of the Oregon University System (OUS) governed by the State Board of Higher Education. With the passage of Senate Bill 270 by the Oregon Legislature in 2013, WOU became an independent public university on July 1, 2015. WOU is located in Monmouth, Oregon.

The financial reporting entity includes WOU and the WOU Development Foundation, which is reported as a discretely presented component unit under the guidelines established by the Governmental Accounting Standards Board (GASB). Discretely presented means that the statements are included separately in the financial report. See Note 20 Western Oregon University Development Foundation for additional information relating to this component unit. Since the Governor of the State of Oregon (State) appoints the WOU Board, WOU 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

WOU 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 Statement 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 WOU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, 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 WOU Development Foundation for the fiscal years ended June 30, 2017 and 2016 are discretely presented because of the difference in its reporting model. 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, WOU is considered a special-purpose government engaged only in business-type activities. Accordingly, the WOU financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

There were no new GASB standards effective for fiscal year 2017 that had a significant impact on WOU.

UPCOMING ACCOUNTING STANDARDS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and is effective for the fiscal year ending June 30, 2018. WOU does not currently have enough information from the Public Employees Benefit Board (PEBB) actuary to determine the potential fiscal impact of GASB Statement No. 75. However, the adoption is expected to cause an expansion in the required note disclosures and could potentially impact the amount of the OPEB liability.

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 does apply to custodial funds, primarily for student groups, held by the University.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits [OPEB]) and is effective for the fiscal year ending June 30, 2018.

WOU is analyzing the effects of the adoption of GASB Statement No. 85 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

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 2016 and June 2017, GASB issued the following statements which do not currently apply to WOU, but may under certain circumstances: Statement No. 83, *Capital Asset Retirement Obligations* and *Statement No. 86, Certain Debt Extinguishment Issues.*

D. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of: cash on hand, cash and investments held by the State in the Oregon Short-Term Fund (OSTF), and cash held by U.S. Bank as required by the U.S. Department of Education for Title IV funds.

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 uncollectable amounts in accordance with 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 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.

Notes receivable consist primarily of student loans receivable due from the Federal Perkins Loan Program and from other loans administered by the University. Construction Reimbursements loan receivables are amounts receivable from the State 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. WOU does not currently hold any notes receivable from the State related to construction reimbursements.

G. Inventories

Inventories are recorded at cost, with cost being generally determined by a first-in, first-out or average basis. Inventories consist primarily of supplies in storerooms 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. WOU capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. WOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 to $100, depending on the type of real property. Intangible assets valued in excess of $100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

WOU capitalizes interest expense as part of the historical cost of acquiring capital assets which are funded by borrowings. The amount of interest capitalized is 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. For the fiscal years ended June 30, 2017 and 2016, no projects qualified for capitalized interest.

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

WOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. 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.

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. WOU is included in the proportionate share for all state agencies. The University's proportionate share of all state agencies is allocated to WOU by the Oregon State Department of Administrative Services.

L. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. These deferred outflows have a positive effect on net position that is similar to assets, but they are not considered assets. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. These deferred inflows have a negative effect on net position, but they are not considered liabilities. Deferred outflows and inflows are related to defined benefit pension plans.

M. Net Position

WOU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

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

N. 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.

O. Endowments

There are no amounts reported as Nonexpendable Endowments on the Statement of Net Position. Endowments that benefit WOU are owned and reported by the WOU Development Foundation.

The Foundation policy is to annually distribute, for spending purposes to the University, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits.

P. Income Taxes

WOU is treated as a governmental entity for tax purposes. As such, WOU is generally not subject to federal and state income taxes. However, WOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2017 or 2016, because there is no significant amount of taxes on such unrelated business income for WOU.

Q. Revenues and Expenses

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

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

Nonoperating revenues and expenses generally have the characteristics of nonexchange transactions. In a nonexchange transaction, WOU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial*

Statement - and Management's Discussion and Analysis - for State and Local Governments. Examples of nonoperating expenses include interest on capital asset related debt and loss on sale of assets.

R. State Support

WOU receives support from the State in the form of General Fund and Lottery appropriations and debt service appropriations for some Oregon Department of Energy loans. See Note 12 for details on appropriations.

In addition to appropriations, the State provides funding for plant facilities on the University's campus. 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 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 WOU and the State. 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 Oregon's bonding capacity. At the time that the bonds are sold the State instructs WOU 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.

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

S. 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 University's stated rates and charges, and the amounts actually paid by students and/or third parties making payments on behalf of the students. 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.

WOU has three types of allowances that net into tuition and fees. Tuition and housing waivers, provided directly by WOU, amounted to $4,218 and $4,601 for the fiscal years ended 2017 and 2016, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $8,641 and $8,622 for the fiscal years ended 2017 and 2016, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,821 and $1,837 for the fiscal years ended 2017 and 2016, respectively.

T. Federal Student Loan Programs

WOU receives proceeds from the Federal Direct Student Loan Program. Since WOU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an internal agency fund. Federal student loans received by WOU students but not reported in operations was $30,560 and $29,695 for the fiscal years ended 2017 and 2016, respectively.

U. Deposit Liabilities

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

V. 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 deferred outflow of resources, liabilities and deferred inflow of resources, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

W. Reclassifications

Certain amounts within the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. The reclassifications had no effect on previously reported total net position and do not constitute a restatement of prior periods.

2. CASH AND INVESTMENTS

At June 30, 2017 and 2016, the majority of WOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury). The State Treasury manages these invested assets through several commingled investment pools. The operating funds of WOU are commingled with cash and investments from other public universities in Oregon and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined designated university, currently Oregon State University. WOU is a participant in the PUF investment pools along with other public universities from the State. 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.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

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

For full disclosure regarding cash and investments held at State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St, NE, Suite 100, Salem, OR 97301-3896 or by linking via the internet at: **www.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 as follows:

	June 30, 2017	June 30, 2016
Current		
Unrestricted	**$ 9,874**	$ 7,028
Restricted For:		
Student Aid	**932**	676
Debt Service	**321**	218
Payroll Vendor Payments	**3,267**	2,991
Student Groups and Campus Organizations	**409**	286
Title IV Perkins Loans	**510**	-
Petty Cash	**25**	21
Total Current	**15,338**	11,220
Noncurrent		
Unrestricted	**608**	599
Restricted For:		
Capital	**1,378**	1,245
Total Noncurrent	**1,986**	1,844
Total	**$ 17,324**	$ 13,064

DEPOSITS WITH STATE TREASURY

WOU maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool available for use by all state agencies or by agreement for related state agencies, such as WOU. The State Treasury invests these deposits in high-grade short-term investment securities. WOU does not have a statutory requirement to collateralize deposits with the State Treasury, but does have a contractual obligation through their banking agreement with the State to collateralize deposits within 24 hours of receipt. At the fiscal year ended June 30, 2017 and 2016, WOU cash and cash equivalents on deposit at State Treasury were $16,789 and $13,043, respectively.

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 the 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. WOU 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.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. Per PUF policy, all deposits are in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

For the year ended June 30, 2017, WOU had cash at US Bank held for Title IV Perkins Loans of $510. Additionally, for the years ended June 30, 2017 and 2016, WOU had vault and petty cash balances of $25 and $21, respectively.

B. Investments

As of June 30, 2017 and 2016, WOU's operating funds were invested in the PUF. The PUF investment policy is governed by the OIC. All investments are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

As of June 30, 2016, investments in the PUF were invested through two separate pools – the Intermediate Term Fixed Income Pool and the Long-Term Fixed Income Pool. As of April 3, 2017, the investment strategy and underlying securities of the two investment pools were combined into one pool, known as the Core Bond Fund.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2017, WOU had a total of $30,022 in investments, all of which were invested in the Core Bond Fund managed by State Treasury. The Core Bond Fund invests primarily in intermediate-term fixed income securities.

At June 30, 2016, WOU had a total of $32,964 in investments. Of the total, $20,842 was invested in an intermediate-term pool managed by State Treasury; and $12,122 was invested in a long-term fixed income pool managed by State Treasury.

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

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of WOU's portion of the pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2017 and 2016.

Investments of the WOU discretely presented component unit are summarized at fair value as follows:

	June 30, 2017	June 30, 2016
Investment Type:		
Marketable Securities	**$ 13,677**	$ 12,588
Money Market Funds and Cash	**403**	434
Cash Value of Life Insurance Policies	**108**	101
Total Investments	**$ 14,188**	$ 13,123

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. WOU has an investment policy for each segment of its investment portfolio. As of June 30, 2017, approximately 99.0 percent of investments in the PUF Core Bond Fund were subject to credit risk reporting. Fixed income securities rated by the credit agencies as BBB to AAA, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $272,151, or 87.0 percent of the PUF Core Bond Fund. Fixed income securities which have not been evaluated by the rating agencies totaled $37,721, or 12.1 percent of the PUF Core Bond Fund. The PUF Core Bond Fund totaled $312,900, of which WOU owned $30,022 or 9.6 percent.

As of June 30, 2016, approximately 98.5 percent of investments in the PUF Pools were subject to credit risk reporting. Fixed income securities rated by the credit agencies as BBB to AAA, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $305,760, or 95.1 percent of the PUF investment pools. Fixed income securities which have not been evaluated by the rating agencies totaled $10,935, or 3.4 percent of the PUF investment pools. The PUF investment pools totaled $321,409, of which WOU owned $32,964 or 10.3 percent.

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, 2017 and 2016, 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 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 three percent of the individual issue. The PUF held no securities from a single issuer that exceeded five percent of the bond portfolio.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Per PUF investment policy, all investments are to be in U.S. dollar denominated securities, therefore no amounts of the PUF investments had reportable foreign currency risk at June 30, 2017 or 2016.

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, 2017, securities in the PUF Core Bond Fund held subject to interest rate risk totaling $309,872 had an average duration of 3.91 years. As of June 30, 2016, securities in the PUF Investment Pool held subject to interest rate risk totaling $316,695 had an average duration of 3.0 years. Duration measures the change in the value of a fixed income security that will result from a 1% change in interest rates.

FAIR VALUE MEASUREMENT

Investments are reported at 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.

The fair value of WOU's investments in the PUF are based on the investments' net asset value (NAV) per share provided by the Treasury. Fair value measurements are as follows:

	June 30, 2017	June 30, 2016
Core Fixed Income Pool	**$ 30,022**	$ -
Intermediate-Term Pool	-	20,842
Long-Term Pool	-	12,122
Total Investments at NAV	**$ 30,022**	$ 32,964

The *Core Bond Fund (CBF)* is managed with an investment objective to maximize total return (i.e., principal and income) over an intermediate time horizon and 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.

The *Intermediate Term Pool (ITP)* provides qualified participants with a vehicle to invest funds over an intermediate-term investment horizon. The investment objective of the ITP is to maximize total return (i.e., principal and income) within stipulated risk parameters. The ITP is actively managed to maintain a short duration, of an average three to five years, through a diversified portfolio of investment grade quality fixed income investments as prescribed in the portfolio guidelines.

The *Long-Term Pool (LTP)* is managed in accordance with the rules and policies of the ITP, but is managed for an intermediate-term duration, of an average five to seven years, through the inclusion of investment grade quality fixed income investments as prescribed in the portfolio guidelines.

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. WOU'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, 2017 and 2016.

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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

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 WOU. 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, 2017 and 2016, is effectively one day. As of June 30, 2017 and 2016, 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 comprised the following:

	June 30, 2017	June 30, 2016
Investment Type		
U.S. Treasury and Agency Securities	**$ 347**	$ 1,577
Domestic Fixed Income Securities	**1,326**	531
Total	**$ 1,673**	$ 2,108

The fair value of the University's share of total cash and securities collateral received as of June 30, 2017 and 2016 was $1,709 and $2,150, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2017 and 2016 was $1,341 and $1,829 respectively.

3. ACCOUNTS RECEIVABLE

Accounts Receivable comprised the following:

	June 30, 2017	June 30, 2016
Student Tuition and Fees	**$ 17,635**	$ 15,955
Federal Grants and Contracts	**2,192**	2,479
Capital Construction	**921**	3,599
Auxiliary Enterprises and Other Operating Activities	**1,820**	1,932
State, Other Government, and Private Gifts, Grants and Contracts	**1,298**	2,227
Other	**234**	153
	24,100	26,345
Less: Allowance for Doubtful Accounts	**(16,697)**	(15,045)
Accounts Receivable, Net	**$ 7,403**	$ 11,300

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program are funded through interest earnings and repayment of loans. Federal Perkins loans deemed uncollectable are assigned to the U.S. Department of Education for collection. WOU has provided an allowance for uncollectable loans, which in management's opinion will absorb loans that will ultimately be written off.

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

	June 30, 2017		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 988**	**$ 6**	**$ 994**
Federal Student Loans	**795**	**3,580**	**4,375**
	1,783	**3,586**	**5,369**
Less: Allowance for Doubtful Accounts	**(130)**	**(585)**	**(715)**
Notes Receivable, Net	**$ 1,653**	**$ 3,001**	**$ 4,654**

	June 30, 2016		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 931	$ 7	$ 938
Federal Student Loans	775	3,487	4,262
	1,706	3,494	5,200
Less: Allowance for Doubtful Accounts	(129)	(583)	(712)
Notes Receivable, Net	$ 1,577	$ 2,911	$ 4,488

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2015	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2016	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2017**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 4,833	$ -	$ -	$ -	$ 4,833	**$ 658**	**$ -**	**$ -**	**$ 5,491**
Capitalized Collections	365	304	-	-	669	**-**	**-**	**(2)**	**667**
Construction in Progress	2,382	13,207	(1,172)	-	14,417	**4,158**	**(14,351)**	**-**	**4,224**
Total Capital Assets, Non-depreciable/Non-amortizable	7,580	13,511	(1,172)	-	19,919	**4,816**	**(14,351)**	**(2)**	**10,382**
Capital Assets, Depreciable/ Amortizable:									
Equipment	9,831	762	-	(717)	9,876	**1,442**	**101**	**(963)**	**10,456**
Library Materials	7,144	84	-	(767)	6,461	**75**	**-**	**(830)**	**5,706**
Buildings	141,763	1,637	445	(214)	143,631	**277**	**13,833**	**-**	**157,741**
Land Improvements	4,386	138	198	-	4,722	**-**	**-**	**-**	**4,722**
Improvements Other Than Buildings	1,705	393	516	-	2,614	**45**	**-**	**-**	**2,659**
Infrastructure	5,778	188	13	-	5,979	**-**	**417**	**-**	**6,396**
Intangible Assets	1,870	-	-	-	1,870	**-**	**-**	**-**	**1,870**
Total Capital Assets, Depreciable/Amortizable	172,477	3,202	1,172	(1,698)	175,153	**1,839**	**14,351**	**(1,793)**	**189,550**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(7,011)	(887)	-	715	(7,183)	**(984)**	**-**	**914**	**(7,253)**
Library Materials	(6,316)	(227)	-	767	(5,776)	**(189)**	**-**	**830**	**(5,135)**
Buildings	(57,484)	(4,094)	-	107	(61,471)	**(4,127)**	**-**	**-**	**(65,598)**
Land Improvements	(2,442)	(224)	-	-	(2,666)	**(226)**	**-**	**-**	**(2,892)**
Improvements Other Than Buildings	(874)	(205)	-	-	(1,079)	**(248)**	**-**	**-**	**(1,327)**
Infrastructure	(2,912)	(243)	-	-	(3,155)	**(261)**	**-**	**-**	**(3,416)**
Intangible Assets	(1,773)	(33)	-	-	(1,806)	**(32)**	**-**	**-**	**(1,838)**
Total Accumulated Depreciation/ Amortization	(78,812)	(5,913)	-	1,589	(83,136)	**(6,067)**	**-**	**1,744**	**(87,459)**
Total Capital Assets, Net	$ 101,245	$ 10,800	$ -	$ (109)	$111,936	**$ 588**	**$ -**	**$ (51)**	**$ 112,473**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 7,580	$ 13,511	$ (1,172)	$ -	$ 19,919	**$ 4,816**	**$ (14,351)**	**$ (2)**	**$ 10,382**
Capital Assets, Depreciable/ Amortizable	172,477	3,202	1,172	(1,698)	175,153	**1,839**	**14,351**	**(1,793)**	**189,550**
Total Cost of Capital Assets	180,057	16,713	-	(1,698)	195,072	**6,655**	**-**	**(1,795)**	**199,932**
Less Accumulated Depreciation/ Amortization	(78,812)	(5,913)	-	1,589	(83,136)	**(6,067)**	**-**	**1,744**	**(87,459)**
Total Capital Assets, Net	$ 101,245	$ 10,800	$ -	$ (109)	$111,936	**$ 588**	**$ -**	**$ (51)**	**$ 112,473**

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows and Deferred Inflows of Resources comprised the following:

	June 30, 2017	June 30, 2016
Deferred Outflows of Resources		
Pension Contributions Subsequent to the Measurement Date	**$ 2,362**	$ 2,337
Change in Assumptions	**8,427**	-
Net difference Between Projected and Actual Earnings on Pension Plan Investments	**7,806**	-
Differences Between Pension Contributions and Proportionate Share of Contributions	**940**	272
Change in Proportionate Share of Contributions	**70**	68
Difference Between Expected and Actual Experience	**1,307**	717
Total Deferred Outflows	**$ 20,912**	$ 3,394
Deferred Inflows of Resources		
Differences Between Pension Contributions and Proportionate Share of Contributions	**$ 375**	$ 450
Net difference Between Projected and Actual Earnings on Pension Plan Investments	**-**	2,785
Total Deferred Inflows	**$ 375**	$ 3,235

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2017	June 30, 2016
Services and Supplies	**$ 2,348**	$ 4,405
Salaries and Wages	**2,963**	3,039
Payroll Related	**3,230**	2,991
Accrued Interest	**948**	1,141
Contract Retainage	**840**	609
Financial Aid	**-**	7
	$ 10,329	$ 12,192

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 53,298	$ 62	$ (3,246)	$ 50,114	$ 2,445	$ 47,669
Oregon Department of Energy Loans (SELP)	4,289	-	(212)	4,077	202	3,875
Total Long-Term Debt	57,587	62	(3,458)	54,191	2,647	51,544
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	4,037	-	(188)	3,849	188	3,661
Compensated Absences	1,949	1,848	(1,940)	1,857	1,757	100
Other Postemployment Benefits	1,056	34	-	1,090	-	1,090
Faculty Credit Banking	-	640	-	640	128	512
Total Other Noncurrent Liabilities	7,042	2,522	(2,128)	7,436	2,073	5,363
Total Long-Term Liabilities	$ 64,629	$ 2,584	$ (5,586)	$ 61,627	$ 4,720	$ 56,907

	Balance June 30, 2015	Additions	Removed Due to Change in Entity	Reductions	Balance June 30, 2016	Amount Due Within One Year	Long-Term Portion
Long-Term Debt							
Due to the State of Oregon:							
General Obligation Bonds XI-F(1)	$ 60,011	$ 99	$ (3,225)	$ (3,587)	$ 53,298	$ 2,401	$ 50,897
General Obligation Bonds XI-G	12,304	-	(12,304)	-	-	-	-
General Obligation Bonds XI-Q	29,229	-	(29,229)	-	-	-	-
Certificates of Participation (COPs)	4,789	-	(4,789)	-	-	-	-
Lottery Bonds	12,797	-	(12,797)	-	-	-	-
Oregon Department of Energy Loans (SELP)	4,497	-	-	(208)	4,289	212	4,077
Total Long-Term Debt	123,627	99	(62,344)	(3,795)	57,587	2,613	54,974
Other Noncurrent Liabilities							
PERS pre-SLGRP pooled Liability	4,181	-	-	(144)	4,037	145	3,892
Compensated Absences	1,789	1,758	-	(1,598)	1,949	1,652	297
Other Postemployment Benefits	1,172	-	-	(116)	1,056	-	1,056
Total Other Noncurrent Liabilities	7,142	1,758	-	(1,858)	7,042	1,797	5,245
Total Long-Term Liabilities	$ 130,769	$ 1,857	$ (62,344)	$ (5,653)	$ 64,629	$ 4,410	$ 60,219

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

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

For the Year Ending June 30,	Contracts Payable	SELP	Total Payments	Principal	Interest
2018	$ 4,472	$ 377	$ 4,849	$ 2,381	$ 2,468
2019	4,566	401	4,967	2,525	2,442
2020	4,234	400	4,634	2,315	2,319
2021	4,145	400	4,545	2,486	2,059
2022	4,080	400	4,480	2,386	2,094
2023-2027	20,436	2,003	22,439	14,231	8,208
2028-2032	17,307	1,446	18,753	13,841	4,912
2033-2037	10,394	-	10,394	7,972	2,422
2038-2042	5,738	-	5,738	5,285	453
Accreted Interest				769	(769)
				$ 54,191	$ 26,608
Total Future Debt Service	**75,372**	**5,427**	**80,799**		
Less: Interest Component of Future Payments	(25,258)	(1,350)	(26,608)		
Principal Portion of Future Payments	**$ 50,114**	**$ 4,077**	**$ 54,191**		

The State issues various debt instruments to fund capital projects at WOU. These debt instruments include General Obligation Bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, and Lottery Bonds. In addition, WOU also borrows funds from the Oregon Department of Energy. As a result of WOU becoming a component unit of the State rather than an enterprise fund of the State for financial reporting, as of July 1, 2015, all state paid bonded debt recorded by WOU as a long-term liability was removed and is now recorded by the State as the owner of the debt. WOU has entered into contract loan agreements for the principal and interest amounts due to the State. 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

WOU has entered into loan agreements with the State for repayment of XI-F(1) bonds issued by the State on behalf of WOU for capital construction and refunding of previously issued debt. WOU makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with effective yields ranging from 1.14 percent to 7.0 percent, are due serially through 2042.

During the fiscal year ended June 30, 2017, the State issued XI-F(1) bonds for refunding of previously held debt which resulted in a net reduction to WOU's contracts payable of $845. Other changes include debt service payments for principal of $2,040 and the addition of $62 and the deduction of $361 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. General Obligation Bonds XI-F(1)

During the fiscal year ended June 30, 2016, the State did not issue any XI-F(1) bonds on behalf of WOU.

As of July 1, 2015, $3,225 in XI-F(1) bonded debt was removed from the long-term liabilities of WOU, as discussed previously in this note. See Note 1.A Reporting Entity, Note 1.R State Support, and Note 18 Change in Entity for additional information on state support and the change in legal status.

Other changes to XI-F(1) bond liability during fiscal year 2016 include debt service payment for principal and accreted interest of $3,587 and the addition of $99 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

WOU no longer has a liability for XI-F(1) bonds. This liability is now in the form of long-term contracts payable to the State.

C. General Obligation Bonds XI-G

As of July 1, 2015, $12,304 in XI-G bonded debt was removed from the long-term liabilities of WOU and WOU retained no amount of XI-G bonded debt, as discussed previously in this note. The State no longer issues XI-G bonds which result in a liability of the University.

D. General Obligation Bonds XI-Q

As of July 1, 2015, $29,229 in XI-Q bonded debt was removed from the long-term liabilities of WOU and WOU retained no amount of XI-Q bonded debt, as discussed previously in this note.

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E. Certificates of Participation

As of July 1, 2015, $4,789 in COPs debt was removed from the long-term liabilities of WOU and WOU retained no amount of COPs debt, as discussed previously in this note. The State no longer issues COPs.

F. Lottery Bonds

As of July 1, 2015, $12,797 in Lottery bonded debt was removed from the long-term liabilities of WOU and WOU retained no amount of Lottery bonded debt, as discussed previously in this note.

G. Oregon Department of Energy Loans

WOU has entered into loan agreements with the State Department of Energy (DOE) Small-Scale Energy Loan Program (SELP) for energy conservation projects at WOU. WOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 4.64 percent to 4.33 percent, are due through 2031.

H. 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, 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 WOU in the amount of $286 and $284 for June 30, 2017 and 2016, respectively. Principal payments of $188 and $144 were applied to the liability for June 30, 2017 and 2016, respectively.

I. Faculty Banked Credits

Per the collective bargaining agreement (CBA) between the WOU Federation of Teachers and the University effective July 1, 2017, tenured or tenure-track faculty who teach individually designed courses outside of their tenured or tenure-track regular teaching load are eligible for credit banking compensation adjustments, subject to conditions in the CBA. Currently there are 130 eligible faculty members with banked credits who either may request a cash payment or paid faculty release time, which must be cashed out or used within the next five years. The total liability as of June 30, 2017 is $640.

9. UNRESTRICTED NET POSITION

Unrestricted Net Position is comprised of the following:

	June 30, 2017	June 30, 2016
University Operations	**$ 36,495**	$ 36,144
Net Pension Asset/(Liability) (See Note 13)	**(39,513)**	(13,285)
Pension Related Deferred Outflows (See Note 6)	**20,912**	3,394
Pension Related Deferred Inflows (See Note 6)	**(375)**	(3,235)
State and Local Government Rate Pool Liability (see Note 8)	**(3,849)**	(4,037)
Compensated Absences Liability	**(1,823)**	(1,949)
Other Post-Employment Benefits Liability (see Notes 8 and 14)	**(1,090)**	(1,056)
Faculty Credit Banking (See Note 8)	**(640)**	-
Total Unrestricted Net Position	**$ 10,117**	$ 15,976

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2017	June 30, 2016
Investment Earnings	**$ 906**	$ 890
Gain (Loss) on Sale of Investment	**187**	-
Royalties and Technology Transfer Income	**13**	12
Interest Income	**3**	1
Net Appreciation (Depreciation) of Investments	**(576)**	156
Total Investment Activity	**$ 533**	$ 1,059

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11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The following displays operating expenses by both the functional and natural classifications. The reporting of the net pension liability, as required by GASB Statement Nos. 68 and 71, affects the reported compensation and benefit expenses of WOU. Changes in the net pension expense and associated reporting requirements increased the reported compensation and benefit expenses of WOU by $5,850 and $10,457, for the fiscal year ended June 30, 2017 and 2016, respectively. The following displays operating expenses by both the functional and natural classifications:

June 30, 2017	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	$ 38,275	$ 4,712	$ 565	$ -	$ 7	**$ 43,559**
Research	1,301	231	-	1	1	**1,534**
Public Services	317	151	-	-	25	**493**
Academic Support	6,917	2,841	-	-	-	**9,758**
Student Services	6,736	936	48	9	18	**7,747**
Auxiliary Services	10,338	10,638	106	2,609	-	**23,691**
Institutional Support	6,338	205	-	-	-	**6,543**
Operation & Maint. of Plant	5,310	(336)	-	-	-	**4,974**
Student Aid	-	2	6,687	-	149	**6,838**
Other	(53)	2,445	-	3,448	-	**5,840**
Total	**$ 75,479**	**$ 21,825**	**$ 7,406**	**$ 6,067**	**$ 200**	**$ 110,977**

June 30, 2016	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 38,362	$ 4,365	$ 578	$ -	$ 8	$ 43,313
Research	1,850	399	29	-	2	2,280
Public Services	214	197	-	-	11	422
Academic Support	7,147	2,676	-	-	-	9,823
Student Services	6,520	1,000	86	5	61	7,672
Auxiliary Services	10,687	10,662	153	2,572	-	24,074
Institutional Support	6,554	130	-	-	-	6,684
Operation & Maint. Of Plant	5,704	(241)	-	-	-	5,463
Student Aid	-	-	6,939	-	217	7,156
Other	389	304	-	3,336	-	4,029
Total	$ 77,427	$ 19,492	$ 7,785	$ 5,913	$ 299	$ 110,916

12. GOVERNMENT APPROPRIATIONS

WOU receives support from the State in the form of general fund and lottery appropriations. These appropriations are in support of the operations of the University and debt service of SELP loans. Appropriations for SELP debt service are based on the loan agreements between the University and the Oregon Department of Energy. Government appropriations comprised the following:

	June 30, 2017	June 30, 2016
General Fund - Operations	**$ 23,496**	$ 22,597
General Fund - SELP Debt Service	**392**	392
Lottery Funding	**581**	581
Total State Appropriations	**$ 24,469**	$ 23,570

13. EMPLOYEE RETIREMENT PLANS

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

A. PUBLIC EMPLOYEES RETIREMENT PLAN (PERS)

Organization

The University 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 (PERS 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 House Bill (HB) 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program defined benefit (DB) program 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 PERS 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's Comprehensive Annual 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: **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—an amendment of GASB Statement No. 27.*

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

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.

Changes Subsequent to the Measurement Date

The University is not aware of any changes to benefit terms subsequent to the June 30, 2016 measurement date.

Pension Plan Liability

The components of the Plan's collective net pension liability as of the measurement dates of June 30, 2016 and 2015 are as follows (dollars in millions):

	June 30, 2016	June 30, 2015
Total Pension Liability	**$ 77,094**	$ 70,665
Plan Fiduciary Net Position	**62,082**	64,924
Plan Net Pension Liability	**$ 15,012**	$ 5,741

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the *Moro* decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon,* issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased Plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.50%.

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

Pension Benefits

The PERS retirement allowance is payable monthly for life. There are 13 retirement benefit options a retiring employee may select from. 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 cause may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes After Retirement

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

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

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

Pension Benefits

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

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

Death Benefits

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

Disability Benefits

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

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Benefit Changes After Retirement
Under ORS 238A.210 monthly benefits are adjusted annually through COLAs. The cap on the COLA varies 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 IRS 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, 2017 and 2016 were based on the December 31, 2013 actuarial valuation as subsequently modified by the *Moro* decision. The rates first became effective July 1, 2015. The employer contribution rates for the PERS and OPSRP are as follows:

	2017	2016
PERS Tier One/Two	**13.28%**	13.28%
OPSRP	**7.31%**	7.31%

Employer required contributions for the year ended June 30, 2017 and June 30, 2016 were $2,835 and $2,765, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability (see Note 8.H for additional information).

NET PENSION LIABILITY

At June 30, 2017, the University reported a liability of $39,513 for its proportionate share of the PERS net pension liability. 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. At June 30, 2016, the University reported a liability of $13,285 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2016, was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The PERS system does not provide WOU 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 Department of Administrative Services calculated WOU's proportional share of all state agencies internally based on actual contributions by WOU as compared to the total for employer state agencies. The State Audits Division performed a review of this internal calculation. At June 30, 2017 WOU's proportion was 0.26 percent of the statewide pension plan, and 0.98 percent of employer state agencies. At June 30, 2016 WOU's proportionate share was 0.23 percent of the statewide pension plan, and 0.91 percent of employer state agencies.

For the year ended June 30, 2017 and 2016, WOU recorded total pension expense of $8,211 and $12,794 respectively, due to the increase in net pension liability and changes to deferred inflows and deferred outflows.

DEFERRED ITEMS

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the fiscal years ending June 30, 2017 and 2016, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual pension plan investment 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, 2016 – 5.3 years
- Measurement period ended June 30, 2015 – 5.4 years
- Measurement period ended June 30, 2014 – 5.6 years

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The difference between projected and actual pension 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 pension expense for fiscal years 2017 and 2016.

At June 30 2017, WOU 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	$ 1,307	$ -
Changes of assumptions	8,427	-
Net difference between projected and actual earnings on pension plan investments	7,806	-
Differences between System's contributions and proportionate share of contributions	940	375
Change in Proportionate Share of Contributions	70	-
Total	$ 18,550	$ 375
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	18,175	
Contributions Subsequent to the MD	2,362	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 20,537	

Of the amount reported as deferred outflows of resources, $2,362 are related to pensions resulting from WOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

At June 30, 2016, WOU 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	$ 717	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,785
Differences between System's contributions and proportionate share of contributions	272	450
Change in Proportionate Share of Contributions	68	-
Total	$ 1,057	$ 3,235
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		(2,178)
Contributions Subsequent to the MD	2,337	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 159	

Of the amount reported as deferred outflows of resources, $2,337 are related to pensions resulting from WOU contributions subsequent to the measurement date and are recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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:	
2018	$ 3,303
2019	3,303
2020	6,173
2021	4,710
2022	686
	$ 18,175

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.

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

Actuarial Methods:		
As of:	**June 30, 2017**	**June 30, 2016**
Valuation Date	December 31, 2014	December 31, 2013
Measurement Date	June 30, 2016	June 30, 2015
Experience Study Report	2014, published September 2015	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	2.75 percent
Long-Term Expected Rate of Return	7.50 percent	7.75 percent
Discount Rate	7.50 percent	7.75 percent
Projected Salary Increases	3.50 percent	3.75 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.	RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.
	Active members:	
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.	
	Disabled retirees:	
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.	Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

DISCOUNT RATE

The discount rate used to measure the total pension liability at June 30, 2017 and 2016, was 7.50 and 7.75 percent, respectively. 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 asset 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 3, 2017 and 7.75 percent as of June 30, 2016, as well as what the University's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2017	June 30, 2016
1% Decrease 6.50%/6.75%	**$63,800**	$32,063
Current Discount Rate 7.50%/7.75%	**39,513**	13,285
1% Increase 8.50%/8.75%	**19,213**	(2,540)

DEPLETION DATE PROJECTION

GASB Statement 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 Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement 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.

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- GASB Statement 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 Statement No. 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

ASSUMED ASSET ALLOCATION

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	13.50	21.50	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 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 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/section/financial_reports/financials.aspx**

Long-term expected rate of return by asset class as of June 30, 2016 measurement date:

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%

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Long-term expected rate of return by asset class as of June 30, 2015 measurement date:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/ Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation – Mean		2.75

BOND DEBT

The Retirement Bond Debt Service Assessment was authorized by the State 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 in May 2004. The assessment rate for fiscal year 2017 was 6.0 percent. The assessment rate for fiscal year 2016 was 6.7 percent through October 31, 2015 and was subsequently reduced to 6.0 percent effective November 1, 2015. Payroll assessments for the fiscal years ended June 30, 2017 and 2016 were $1,698 and $1,678, respectively.

B. OTHER RETIREMENT PLANS

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized WOU to offer a defined contribution retirement plan as an alternative to PERS. A Retirement Plan Committee was appointed 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 the Teacher's Insurance and Annuity Association (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:

	2017	2016
Tier One/Two	**20.45%**	20.45%
Tier Three	**7.94%**	7.94%
Tier Four	**8.00%**	8.00%

OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the 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-CREF annuities are supplemental to PERS. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996. 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.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

SUMMARY OF OTHER PENSION PAYMENTS

WOU's total payroll for the year ended June 30, 2017 was $46,908, of which $13,422 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

June 30, 2017

	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	**$ 1,570**	**11.69%**	**$ 787**	**5.86%**
TIAA	**7**	**0.05%**	**7**	**0.05%**
Total	**$ 1,577**	**11.75%**	**$ 794**	**5.92%**

Of the employee share, WOU paid $737 of the ORP and $7 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2017.

WOU's total payroll for the year ended June 30, 2016 was $45,166, of which $12,213 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

June 30, 2016

	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,577	12.91%	$ 722	5.91%
TIAA	7	0.06%	7	0.06%
Total	$ 1,584	12.97%	$ 729	5.97%

Of the employee share, WOU paid $695 of the ORP and $7 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2016.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. WOU participates in a defined benefit postemployment healthcare plan, administered by PEBB, which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine post-retirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows qualifying WOU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. 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" under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Health care premiums priced only for retirees, who on average incur higher health care claims costs than younger active employees, would be more expensive than health care premiums that are priced to cover the average costs of both active and retirees combined. GASB Statement No. 45 states that this implicit subsidy must be included in the liabilities and costs reported on the entity's financial statements.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to WOU's share, estimated at 1.4 percent of the total PEBB plan costs attributable to the State. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2017.

Funding Policy. The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. For fiscal years 2017 and 2016, WOU paid healthcare insurance premiums of $11,605 and $11,171, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $59 and $66 for the fiscal years ended 2017 and 2016, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Annual Required Contribution (ARC) is the amount PEBB would be required to report as an expense for the fiscal year under GASB Statement No. 45. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). The UAAL amortization method is level dollar over a period of one year. The amortization period is "open" which means that on each valuation date, the amortization amount is recalculated assuming 1 years' worth of future payments. Note, the ARC represents an accounting expense, but neither PEBB nor its covered agencies are required to contribute the ARC to a separate trust. Because funds are not set aside equal to the ARC each year, the Annual OPEB Cost (less actual benefit payments) will accumulate as a liability (Net OPEB Obligation) on PEBB's and WOU's Statement of Net Position. The Net OPEB obligation is allocated to the participating entities based on their proportionate share of annual health insurance premium costs.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

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

	June 30, 2017	June 30, 2016
Annual Required Contribution	**$ 1,120**	$ 1,095
Interest on Net OPEB Obligation	**36**	40
Adjustment to Annual Required Contribution	**(1,063)**	(1,185)
Annual OPEB Cost	**93**	(50)
Contributions Made	**(59)**	(66)
Change in Net OPEB Obligation	**34**	(116)
Net OPEB Obligation - Beginning of Year	**1,056**	1,172
Net OPEB Obligation - End of Year	**$ 1,090**	$ 1,056

The WOU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	**$ 93**	9%	**$ 1,090**
2016	(50)	-5%	1,056
2015	154	13%	1,172

Funding Status and Funding Progress. The funded status of the WOU OPEB plan were as follows:

	June 30, 2017	June 30, 2016
Actuarial Accrued Liabilities	**$ 1,005**	$ 1,005
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	**$ 1,005**	$ 1,005
Funded Ratio	**0.00%**	0.00%
Covered Payroll (active plan members)	**$ 40,695**	$ 38,849
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	**2.47%**	2.59%

Actuarial valuations, prepared biennially, involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between WOU and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2015. Significant methods and assumptions as of June 30, 2017 and 2016, were as follows:

Actuarial Valuation Date	7/1/2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	1 year (open)
Investment Rate of Return	3.5%
Initial Healthcare Inflation Rates	5.1% (medical), 2.3% (dental)
Ultimate Healthcare Inflation Rates	5% (medical), 5% (dental)

15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which WOU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2017 and 2016 were $1,499 and $1,421, respectively.

16. RISK FINANCING

WOU 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, WOU transfers the following risk to the Trust:

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

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

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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (DOLLARS IN THOUSANDS)

In addition, WOU purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association (NCAA) and to provide coverage for special events and student liability.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately $19,845 at June 30, 2017. These commitments will be primarily funded from gifts, grants, and WOU funds.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2017

	Total Commitment	Completed to Date	Outstanding Commitment
Health & Counseling Center	$ 2,070	$ 1,940	$ 130
Oregon Military Purchase	4,975	25	4,950
Natural Sciences Renovation	6,441	62	6,379
Woodcock Education Center	18,512	17,420	1,092
Project Budgets <$1m	8,350	1,056	7,294
	$ 40,348	$ 20,503	$ 19,845

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

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. WOU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to WOU cannot be reasonably determined at June 30, 2017.

18. CHANGE IN ENTITY

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 which established a pathway for WOU to become an independent public body legally separate from OUS. The State Board of Higher Education unconditionally endorsed WOU to become a separate legal entity with an independent governing board effective July 1, 2015. The change in entity changed the allocation of bond debt held in the name of the State. The Oregon Department of Administrative Services, State Treasury, and Department of Justice all concluded that a portion of the debt previously allocated to the OUS and the seven universities as state agencies was the responsibility of the State to repay. WOU still has responsibility to repay XI-F(1) and SELP debt. See Note 8 Long-Term Liabilities for additional information.

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

	June 30, 2016
State Paid Debt Transferred to the State Resulting in an Increase (Decrease) in Net Position	
General Obligation Bonds XI-F	$ 3,225
General Obligation Bonds XI-G	12,304
General Obligation Bonds XI-Q	29,229
Certificates of Participation	4,789
Lottery Bonds	12,797
Deferred Outflows - Unamortized Gain/Loss on Refunding of Bonds	(2,865)
Accrued Interest Payable Removed	573
	60,052
Other Changes	
Lottery Accrual for State Paid Debt Reversed	(345)
Cash Held by Trustee for State Paid Debt Removed	(22,450)
Total Change due to Change in Entity	$ 37,257

19. SUBSEQUENT EVENTS

WOU management has reviewed events and transactions that occurred subsequent to the Statement of Net Position date of June 30, 2017, and found none that required adjustment or disclosure in the financial statements.

20. WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of WOU. The WOU Development Foundation is a legally separate, tax-exempt entity with an independent governing board. Although WOU does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of WOU and is discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2017 and 2016. The WOU Development Foundation is audited annually and received an unmodified audit opinion.

During the years ended June 30, 2017 and 2016 gifts of $850 and $1,651, respectively, were transferred from the Foundation to WOU.

Please see the financial statements for the WOU component unit on pages 23 and 25 of this report.

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

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF WESTERN OREGON UNIVERSITY'S CONTRIBUTIONS*

Public Employees Retirement System

For Fiscal Years Ended June 30,	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 2,362	$ 2,337	$ 1,846	$ 1,807	$ 1,687	$ 1,609
Contributions in Relation to the Contractually Required Contribution	2,362	2,337	1,846	1,807	1,687	1,609
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 28,527	$ 27,229	$ 25,618	$ 24,368	$ 23,462	$ 22,690
Contributions as a Percentage of Covered Payroll	8.3%	8.6%	7.2%	7.4%	7.2%	7.1%

SCHEDULE OF WESTERN OREGON UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)*

Public Employees Retirement System

As of the Measurement Date June 30,	2016	2015	2014
University's Proportion of the Net Pension Asset/(Liability)	0.26%	0.23%	0.22%
University's Proportionate Share of the Net Pension Asset/(Liability)	$ (39,513)	$ (13,285)	$ 4,952
University's Covered Payroll	$ 27,229	$ 25,618	$ 24,368
University's Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of Covered Payroll	145.1%	51.9%	20.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/(Liability)	80.5%	91.9%	103.6%

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	7/1/2011	$ -	$ 2,306	$ 2,306	0.0%	$ 33,673	6.8%
6/30/2014	7/1/2013	-	1,530	1,530	0.0%	34,815	4.4%
6/30/2015	7/1/2013	-	1,493	1,493	0.0%	36,636	4.1%
6/30/2016	7/1/2015	-	1,005	1,005	0.0%	38,849	2.6%
6/30/2017	7/1/2015	-	1,005	1,005	0.0%	40,695	2.5%

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

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