WESTERN OREGON UNIVERSITY

2014 ANNUAL FINANCIAL REPORT

Western Oregon UNIVERSITY

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Western set another enrollment record in fall 2013 with a total 6,234 students (5,291 undergraduate, 943 graduate).

State Board of Higher Education

Matthew W. Donegan Board President	Portland
Jill W. Eiland, Board Vice President	Portland
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Orcilia Forbes	Corvallis
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Brittany Kenison	Portland
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Emily J. Plec	Monmouth
Kirk E. Schueler	Bend
David V. Yaden	Lake Oswego

Western Oregon University Executive officers

Mark Weiss
President

Eric Yahnke
Vice President for Finance and Administration

Stephen Scheck
Vice President for Academic Affairs

Gary Dukes
Vice President for Student Affairs

Judy Vanderburg
Director, Human Resources and Affirmative Action

Tommy Love
Executive Director for University Advancement and the Western Oregon University Foundation

Barbara Dearing
Executive Director, Athletics

In the last year, higher education in Oregon has continued to undergo change with reforms in accountability for student success and the restructuring of institutional governance. Western Oregon University (Western) engaged in meaningful effort to substantiate our university resources for, and capacity to succeed as, an independent public university with our own institutional governing board according to the requirements of Senate Bill 270. In April 2014, the Oregon State Board of Higher Education unconditionally endorsed Western's request, displaying the board's confidence in our mission, strategies, and financial sustainability. The members of our new governing board were confirmed during the 2014 fall legislative session, after which we will provide the necessary preparation for them to assume their duties on July 1, 2015.

The Western Oregon University community – faculty and staff alike – believes in the power of education to improve individuals' lives, families and communities. We are as deeply committed to serving Oregon residents now as our founders were in 1856 when they established the first public university in the state. This commitment is evident in our new Applied Baccalaureate (AB) programs in specialties important to Oregon's economy, which serve working adults who have a terminal two-year degree but need to complete a four year baccalaureate degree to advance in their professional careers. For example, WOU offers AB programs in Information Systems, Computer Science and Economics for Oregon's business and technology professionals as well as Psychology and Gerontology for health and human services professionals. Other new degree programs and certificates reflect changing trends in our world, such as visual communication design (BA/BS), instructional design or geographic information science (certificates) which offer students critical training in the new and emerging technologies or early childhood studies (BA/BS) which offers specialized training for students interested in helping young children to learn. Western plans to continue its ongoing review and development of academic programs to attract, retain, and serve our students so that they may meet the current and future needs of Oregon.

Western serves primarily Oregon residents, with nearly 82% of our graduate and undergraduate students in fall 2013 coming from every county across the state. Although the Oregon legislature has reduced operational allocations to universities over the last decade, Western has worked diligently to manage institutional costs in order to help keep education affordable for and accessible to these students. We initiated and maintained a 'continuous improvement' philosophy to engage the campus-wide community in finding ways to work smarter, and as a result, continue to achieve our fiscal goals while providing more services to more students. In fact, Western has demonstrated one of the strongest fiscal positions within the Oregon University System over the past few years and is projected to maintain this through the current fiscal year and beyond.

The new year heralds a time of growth for Western, with the announcement of the groundbreaking for the new Richard Woodcock Education Center, planned to open fall 2016. The facility is named for Dr. Richard Woodcock, a former educational psychology professor and internationally-recognized expert on learning assessment, whose gift of $1.4 million makes the facility possible. This facility brings nearly 60,000 square feet of office, classroom, and support space that will enable the College of

Education to continue to provide new teachers to Oregon each year, professional developmental opportunities for existing teachers throughout the state, and educational reading specialists, technology integrationists, autism specialists to Oregon school districts.

Western has other notable accomplishments this last year. Faculty accomplishments go beyond the high-mentoring engagement with students in the classroom. They also provide service to the local and state communities through their involvement on various boards and directing students in service learning projects. Further, our faculty are professionally engaged through the publication of scholarly articles, books and creative works, involvement in professional organizations and active, ongoing applications for, or work under, external research grants. In fact, the average grant funding received per capita by the faculty at Western is the third highest of all Oregon public universities.

The last three years have seen a record number of graduates at Western. However, if analysts' projections are accurate that Oregon high schools will graduate fewer students over the next decade, then Western's thoughtful approach to academic programming, scholarly community of engaged faculty, institutional emphasis on learning and teaching, conservative approach to fiscal management and deeply committed community of professionals will all contribute to Western successfully navigating the unknown future.

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

Mark Weiss

Mark Weiss, President

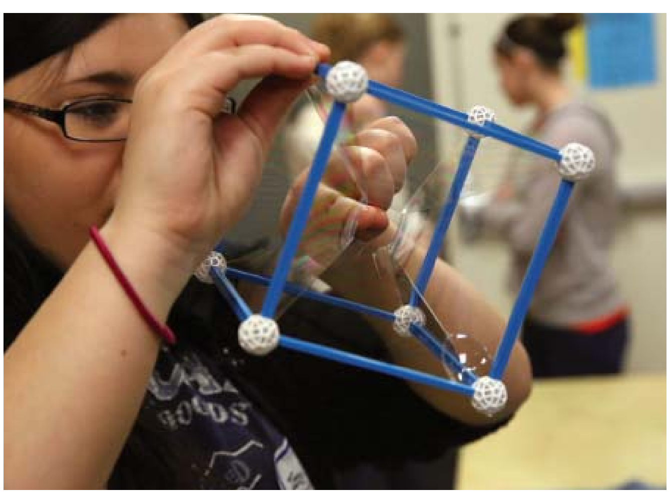
During the past year, the WOU Foundation continued to experience an increase of philanthropic support thanks to the generosity of alumni, parents, friends, and others who support our mission in providing critical resources to support the university and our students. A few highlights from the past year include:

- Grand opening and ribbon cutting of the new DeVolder Family Science Center
- Total giving increased by 17% with the average gift increasing by nearly 35%
- The annual Wolves Athletic Auction generated nearly $60,000 in scholarship support for student-athletes
- Began a $3 million campaign to advance our College of Education through collaboration with a new facility and affordability by increasing financial aid support. In the first six months, 55 percent of the goal has been reached including full funding for the new Richard Woodcock Education Center and over $200,000 already committed for scholarships
- Support of $50,000 from the Maps Community Foundation to expand the Peer Mentorship program. The newly named Maps Peer Mentorship Program provides front line support and programming for students living on campus promoting mental, physical, and financial health leading to a stronger campus community.
- As part of the annual Competitive Grants Program through the WOU Foundation, the following programs received financial assistance: Abby's House, The American Sign Language studies program, The ASCD Student Chapter, The Associated Students of Western Oregon University, The Early Childhood Program, The English, Writing and Linguistics Department, The Gerontology Department and gerontology student groups, The Mathematics Department, Students from Dr. David Foster's "Psychology of Leadership" course, University Housing, and the WOU Softball team.

The Teaching Research Institute and College of Education received a $200,000 grant from the Oregon Department of Education to support Project High Five – Culture, Collaboration, Commitment, Communication and Community. The project is a collaborative endeavor between WOU, Central School District (CSD) 13J, the Ella Curran Food Bank, and the Oregon Child Development Coalition to develop a strong Professional Development School partnership program between CSD and WOU and will advance the ability of teachers to meet the needs of culturally and/or linguistically diverse students, which is a key component of Oregon's 40-40-20 goal.

WOU's new Elementary Mathematics Instructional Leader program (EMIL) received unanimous approval from the Oregon Teacher Standards and Practices Commission (TSPC) in March 2014, and will help meet needs for the Common Core State Standards and Practices for Mathematics (CCSSM). TSPC approved elementary mathematics specialization standards last spring and WOU's new curriculum is the first Elementary Mathematics specialization program to be approved. The Elementary Mathematics specialization is similar to the Elementary Reading and Autism Spectrum Disorder specializations already established in elementary schools.

The Mathematics Department held its tenth annual Sonia Kovalevsky Math Day, which is designed to encourage young women to continue their study of mathematics. Participants come from regional high schools and as far away as Coos Bay and Newport. Since its inception at WOU, the number of participants has more than doubled to 14 teachers and more than 100 girls as WOU alumni who participated as undergraduates have started bringing groups of their own students to the event.



Western Oregon University completed extensive renovations to facilities for the Computer Science Division. WOU received a commitment of $300,000 from former Oregon State Senator Frank and Linda Morse, in honor of Dr. Edward B. Wright, and designated the renovated space as the Edward B. Wright Center for Computing Sciences. The generous gift from the Morses was used to establish a scholarship endowment in Wright's honor for current and future students studying computer science, information systems or computer science/mathematics.

The new Edward B. Wright Center for Computing Sciences

The U.S. Department of Justice Office on Violence Against Women awarded $300,000 to the Teaching Research Institute to expand the campus collaboration on sexual violence prevention and response. The WOU Campus Against Sexual Assault program will include an expanded prevention and education program on sexual violence (offered through Abby's House, the campus resource and referral center) for all students on campus, with particular emphasis on incoming first-year students. Furthermore, the continuing program will enhance sexual violence response services on campus through campus public safety and the office of student conduct, as well as strengthen partnerships with local community agencies.

Western Oregon University's Master of Arts in Interpreting Studies (MAIS) won the 2013 University Professional & Continuing Education Association (UPCEA) West Region Outstanding Credit Program Award, which recognizes outstanding professional and continuing education programs allowing students to earn academic credit. The award was presented at the UPCEA West Region Conference in Tucson, Arizona.

WOU's Master of Arts in Interpreting Studies has won the 2013 University Professional & Continuing Education Association (UPCEA) West Region Outstanding Credit Program Award

The U.S. Department of Education's Office of Special Education Programs awarded the Teaching Research Institute a five-year, $10,500,000 grant to operate the National Center on Deaf-Blindness (NDCB). The center will serve as a national hub for professional development, resources, and information to serve children who are deaf-blind and their families, as well as educators and other professionals working with them.

WOU received a generous $1.4 million donation for a new education facility from former psychology professor and education leader Dr. Richard W. Woodcock. This is the third largest single donation in school history and will help create the Richard Woodcock Education Center - a 58,000 square foot facility scheduled to open in the fall of 2016.

The $18.6 million facility continues to expand the university's academic footprint as part of its strategic plan to meet the growing needs of Oregonians and assist in the state's 40-40-20 initiative for a better educated Oregon citizenry and improved economy.

Dr. Robert Woodcock and WOU President Mark Weiss at the ceremonial groundbreaking ceremony for the new education center

Oregon Governor John A. Kitzhaber announced the designation of the Richard Woodcock Education Center, WOU's new College of Education, as one of only two demonstration projects under Executive Order 12-16. This order promotes innovative use of wood products as a green building material, encourages innovative uses of wood products and increases markets for Oregon wood products. The new education building will feature creative usage of wood in both structural and aesthetic design and construction.

WOU was named a Military Friendly School for 2013 and 2014 by Victory Media. The recognition is based on an assessment of eleven factors such as the academic status of the institution, military support and veteran services on campus, veteran graduate rates; overall it acknowledges that WOU provides a supportive environment for military students.

INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Oregon University (the University), an institution of higher education of the Oregon University System (the System), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matters

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the the schedule of funding progress of Other Post Employment Benefits on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 1, 2014

As of June 30,		2014
		(In thousands)
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$	**22,475**
Collateral from Securities Lending (Note 2)		**2,106**
Accounts Receivable, Net (Note 3)		**6,376**
Notes Receivable, Net (Note 4)		**1,412**
Inventories		**1,080**
Prepaid Expenses		**119**
Total Current Assets		**33,568**
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)		**4,342**
Investments (Note 2)		**11,262**
Notes Receivable, Net (Note 4)		**2,856**
Capital Assets, Net of Accumulated Depreciation (Note 5)		**102,782**
Total Noncurrent Assets		**121,242**
Total Assets	$	**154,810**
DEFERRED OUTFLOWS OF RESOURCES	$	**1,788**
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$	**5,969**
Deposits		**1,255**
Obligations Under Securities Lending (Note 2)		**2,106**
Current Portion of Long-Term Liabilities (Note 8)		**6,249**
Unearned Revenues		**2,728**
Total Current Liabilites		**18,307**
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)		**104,450**
Total Noncurrent Liabilities		**104,450**
Total Liabilities	$	**122,757**
DEFERRED INFLOWS OF RESOURCES	$	**-**
NET POSITION		
Net Investment in Capital Assets	$	**4,167**
Restricted For:		
Nonexpendable Endowments		**2**
Expendable:		
Gifts, Grants and Contracts		**250**
Student Loans		**6,528**
Capital Projects		**4,019**
Debt Service		**1,545**
Unrestricted		**17,330**
Total Net Position	$	**33,841**

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

STATEMENT OF FINANCIAL POSITION
WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION - COMPONENT UNIT

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

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

For the Year Ended June 30,		2014
		(In thousands)
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $11,555)	$	**32,062**
Federal Grants and Contracts		**8,495**
State and Local Grants and Contracts		**1,551**
Nongovernmental Grants and Contracts		**75**
Educational Department Sales and Services		**657**
Auxiliary Enterprises Revenues (Net of Allowances of $1,353)		**19,262**
Other Operating Revenues		**2,083**
Total Operating Revenues		**64,185**
OPERATING EXPENSES		
Instruction		**35,462**
Research		**1,621**
Public Service		**381**
Academic Support		**7,545**
Student Services		**6,233**
Auxiliary Programs		**22,333**
Institutional Support		**4,995**
Operation and Maintenance of Plant		**4,209**
Student Aid		**7,655**
Other Operating Expenses		**4,745**
Total Operating Expenses (Note 11)		**95,179**
Operating Loss		**(30,994)**
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)		**15,441**
Financial Aid Grants		**14,898**
Investment Activity (Note 10)		**521**
Gain (Loss) on Sale of Assets, Net		**(12)**
Interest Expense		**(4,507)**
Other Nonoperating Items		**871**
Net Nonoperating Revenues		**27,212**
Income (Loss) Before Other Nonoperating Revenues		**(3,782)**
Capital and Debt Service Appropriations (Note 12)		**3,513**
Capital Grants and Gifts		**622**
Transfers within OUS		**(74)**
Total Other Nonoperating Revenues		**4,061**
Increase In Net Position		**279**
NET POSITION		
Beginning Balance		**33,562**
Ending Balance	$	**33,841**

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

For The Year Ended June 30,	2014
	(In thousands)
REVENUES	
Grants, Bequests and Gifts	$ 2,498
Interest and Dividends	319
Investment Income (Loss), Net	1,238
Other Revenues	248
Total Revenues	4,303
EXPENSES	
University Support	1,776
General and Administrative	166
Other Expenses	15
Total Expenses	1,957
Increase In Net Assets	2,346
NET ASSETS	
Beginning Balance	11,599
Ending Balance	$ 13,945

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

For the Year Ended June 30,		2014
		(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	32,500
Grants and Contracts		9,508
Educational Department Sales and Services		657
Auxiliary Enterprises Operations		19,153
Payments to Employees for Compensation and Benefits		(61,469)
Payments to Suppliers		(19,494)
Student Financial Aid		(8,707)
Other Operating Receipts		1,929
Net Cash Provided (Used) by Operating Activities		(25,923)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations		15,441
Financial Aid Grants		14,898
Other Gifts and Private Contracts		871
Net Agency Fund Receipts (Payments)		84
Net Transfers Within OUS		(1,759)
Net Cash Provided (Used) by Noncapital Financing Activities		29,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations		3,376
Capital Grants and Gifts		498
Bond Proceeds from Capital Debt		1,772
Sales of Capital Assets		985
Purchases of Capital Assets		(3,168)
Interest Payments on Capital Debt		(3,159)
Principal Payments on Capital Debt		(905)
Net Cash Provided (Used) by Capital and Related Financing Activities		(601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments		5,855
Interest on Investments and Cash Balances		511
Net Cash Provided (Used) by Investing Activities		6,366
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		9,377
CASH AND CASH EQUIVALENTS		
Beginning Balance		17,440
Ending Balance	$	26,817

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

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Western Oregon University (WOU) is one of the seven universities that make up the OUS.

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

WOU is also reported as one of the seven universities that make up OUS and is reported as part of the OUS Annual Financial Report. OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

These financial statements present only WOU, including the discretely presented component unit described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 which established a pathway for WOU to become an independent public body legally separate from OUS. The State Board of Higher Education unconditionally endorsed WOU to become separate legal entities with an independent governing board effective July 1, 2015. WOU will not be included in the OUS financial reporting entity starting with the fiscal year 2016 financial report. WOU will be included as a component unit in the Comprehensive Annual Financial Report issued by the State starting with the fiscal year 2016 financial report.

B. Financial Statement Presentation

WOU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of WOU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, significant interfund transactions and balances between university funds have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the university foundation are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

WOU implemented GASB Statement No. 65, I*tems Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB 65 amended or superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. Certain items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows of resources, and certain items are now recognized as expenses or revenues in the period incurred. As a result of the implementation, WOU reclassified $1,788 in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows for financial reporting purposes.

WOU implemented GASB Statement No. 66, *Technical Corrections–2012–an amendment of GASB Statements No. 10 and No. 62*, effective for the fiscal year ended June 30, 2014. GASB 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Government Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-1989 FASB and AICPA Pronouncements. The adoption of GASB 66 did not materially impact the WOU financial statements.

The Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, F*inancial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for the fiscal year ended June 30, 2014. GASB 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to WOU. The measurement of net pension liability in accordance with GASB 67 will increase liabilities for WOU as it implements GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

WOU implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB 70 has resulted in an additional note to the financial statements, 8.H. Financial Guarantees. The adoption of GASB 70 did not materially impact the WOU financial statements.

UPCOMING ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June 30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of WOU is unavailable at this time. The adoption of GASB 68 is expected to have a significant negative impact on the unrestricted net position of WOU.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB 69 requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 69 is not expected to have a material impact on the WOU financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the measurement Date - An Amendment of GASB Statement No. 68*. GASB 71 updates GASB 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 71 is not expected to have a material impact on the WOU financial statements.

C. Basis of Accounting

For financial reporting purposes, WOU is considered a special-purpose government engaged only in business-type activities. Accordingly, the WOU financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of: cash on hand; cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

Investments are classified as noncurrent assets in the Statement of Net Position.

F. Inventories

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

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. WOU capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. WOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 to $100, depending on the type of real property. Intangible assets valued in excess of $100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

WOU capitalizes interest expense on projects exceeding $20,000 that are partially or fully funded by XI-F debt or internally generated funds. For the fiscal year ended June 30, 2014, no projects qualified for capitalized interest.

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

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

WOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

J. Net 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, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE

Restricted nonexpendable consists of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

Unrestricted are resources that may be used at the discretion of the Board. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first.

K. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives WOU the authority to use the interest, income, dividends, or profits of endowments. Current OUS Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for distribution during fiscal year 2015 is estimated to be $3. For the year ended June 30, 2014, the net amount of appreciation available for authorization for expenditure was $8.

Nonexpendable Endowments on the Statement of Net Position of $2 at June 30, 2014, represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

L. 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 year ended June 30, 2014, because there is no significant amount of taxes on such unrelated business income for WOU.

M. 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, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, 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 No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. WOU has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by WOU, amounted to $3,317 for the fiscal year ended 2014. 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 $8,072 for the fiscal year ended 2014. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,519 for the fiscal year ended 2014.

O. 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 agency fund. Federal student loans received by WOU students but not reported in operations was $34,316 for the fiscal year ended 2014.

P. Use of Estimates

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

2. CASH AND INVESTMENTS

OUS maintains centralized management for substantially all of the System's member universities cash and investments. The invested assets of OUS are managed through several investment pools at the Oregon State Treasury (State Treasury), which commingle the invested assets of all member universities including WOU. Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

In general, deposits and investment securities as described below are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the OUS Portfolio risk exposure, see the OUS 2014 Annual Financial Statements at **www.ous.edu/sites/default/files/cont-div/annual_financial_reptg/fy2014_afs.pdf.**

A. Cash and Cash Equivalents

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 cash and investment pool for use by all state agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal year ended June 30, 2014, WOU cash and cash equivalents on deposit at State Treasury was $26,798.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The current portion includes $889 in restricted agency funds for payroll liabilities and $786 restricted for debt service payments. The noncurrent portion includes $517 in restricted agency funds for WOU student groups and campus organizations.

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 **oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx.**

CUSTODIAL CREDIT RISK—DEPOSITS

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

FOREIGN CURRENCY RISK—DEPOSITS

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

OTHER DEPOSITS

For the year ended June 30, 2014, WOU had vault and petty cash balances of $19. Additionally, WOU had small amounts of cash invested with a fiscal agent relating to debt issuances.

B. Investments

WOU funds are invested by the State Treasury. WOU investments are managed by OUS Treasury Management, which also develops and manages investment policy. OUS investment policies are governed by statute, the Oregon Investment Council (Council), and the Board. In accordance with ORS, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. Of the total $11,262 in investments, $79 are restricted endowments, $829 are restricted agency funds for payroll liabilities and undistributed student loans and $659 are restricted for debt service payments.

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

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of WOU's portion of OUS 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, 2014.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, WOU had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

Of WOU's total investments invested through the OUS investment pools, $3,124 are invested in an intermediate term pool managed by State Treasury, $8,058 are individually held investments, $79 are invested in a portfolio that is managed for the benefit of pooled gifts and endowments. WOU follows the OUS endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

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

COMPONENT UNIT

Fair Value at June 30,		2014
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	$	12,183
Money Market Funds and Certificates of Deposit		615
Cash Value of Life Insurance Policies		67
Total Investments	$	12,865

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. Of these, the policy on the endowment has the least restrictive credit requirements. The policy requires fixed income securities to have an average credit quality of A/Aa or better and limits below investment grade bonds to no more than 15% of the bond portfolio, exclusive of guaranteed investment contracts. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate. WOU, as a member university of the OUS, follows the OUS policy on investments.

Based on these parameters, as of June 30, 2014 approximately 79.6 percent of investments in the OUS Pool are subject to credit risk reporting. Corporate bonds rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $154,485 in fiscal year 2014. Corporate bonds which have not been evaluated by the rating agencies totaled $79,936 in fiscal year 2014. The OUS Investment Pool totaled $299,160 at June 30, 2014, of which WOU owned $11,262 or 3.8 percent.

CUSTODIAL CREDIT RISK

Custodial credit risk refers to OUS investments that are held by others and not registered in OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where cash is transferred to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions around securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund will be invested in any single security, unless part of an index fund.

FOREIGN CURRENCY RISK

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

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2014, securities in the OUS Investment Pool held subject to interest rate risk totaling $245,840 had an average duration of 3.04. Duration measures the change in the value of a fixed income security that will result from a 1% change in interest rates.

C. Securities lending

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of the WOU and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014. Amounts reported on WOU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by OUS in total.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for WOU securities on loan in the OSTF. At June 30, 2014, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name.

The cash collateral of OSTF securities on loan was invested in a short-term investment fund (STIF) maintained by the custodial agent, into U.S. agency securities, and corporate notes. The investments were held by a third-party custodian in the State of Oregon's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

The State Treasurer and borrowers maintain the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2014
Student Tuition and Fees	$ 12,470
Auxiliary Enterprises and Other Operating Activities	1,620
Federal Grants and Contracts	2,289
State, Other Government, and Private Gifts, Grants and Contracts	30
Other	1,045
	17,454
Less: Allowance for Doubtful Accounts	(11,078)
Accounts Receivable, Net	$ 6,376

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2014. The program is funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Federal Perkins loans deemed uncollectable are assigned to the U.S. Department of Education for collection. WOU has provided an allowance for uncollectable loans, which in management's opinion will absorb loans that will ultimately be written off. Notes Receivable comprised the following:

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

Students and faculty team up to study trees in Monmouth to aid in city planning and the creation of green spaces.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance July 1, 2013	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2014
Capital Assets,					
Non-depreciable/Non-amortizable:					
Land	$ 4,833	$ -	$ -	$ -	$ 4,833
Capitalized Collections	987	61	-	(681)	367
Construction in Progress	8,937	175	(8,953)	-	159
Total Capital Assets, Non-depreciable/Non-amortizable	14,757	236	(8,953)	(681)	5,359
Capital Assets, Depreciable/ Amortizable:					
Equipment	10,001	746	-	(1,344)	9,403
Library Materials	7,157	104	-	(58)	7,203
Buildings	130,899	1,807	8,862	(276)	141,292
Land Improvements	4,263	-	-	-	4,263
Improvements Other Than Buildings	1,656	-	49	-	1,705
Infrastructure	5,736	-	42	-	5,778
Intangible Assets	1,870	-	-	-	1,870
Total Capital Assets, Depreciable/Amortizable	161,582	2,657	8,953	(1,678)	171,514
Less Accumulated Depreciation/ Amortization for:					
Equipment	(7,702)	(754)	-	1,304	(7,152)
Library Materials	(5,962)	(293)	-	58	(6,197)
Buildings	(49,355)	(4,040)	-	-	(53,395)
Land Improvements	(2,029)	(211)	-	-	(2,240)
Improvements Other Than Buildings	(568)	(152)	-	-	(720)
Infrastructure	(2,427)	(246)	-	-	(2,673)
Intangible Assets	(1,655)	(59)	-	-	(1,714)
Total Accumulated Depreciation/ Amortization	(69,698)	(5,755)	-	1,362	(74,091)
Total Capital Assets, Net	$ 106,641	$ (2,862)	$ -	$ (997)	$ 102,782
Capital Assets Summary					
Capital Assets, Non-depreciable/ Non-amortizable	$ 14,757	$ 236	$ (8,953)	$ (681)	$ 5,359
Capital Assets, Depreciable/ Amortizable	161,582	2,657	8,953	(1,678)	171,514
Total Cost of Capital Assets	176,339	2,893	-	(2,359)	176,873
Less Accumulated Depreciation/ Amortization	(69,698)	(5,755)	-	1,362	(74,091)
Total Capital Assets, Net	$ 106,641	$ (2,862)	$ -	$ (997)	$ 102,782

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2014
Services and Supplies	$ 1,611
Accrued Interest	1,348
Salaries and Wages	2,957
Contract Retainage Payable	52
Other	1
Total	$ 5,969

7. OPERATING LEASES

A. Receivables/Revenues

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

B. Payables/Expenses

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

For the year ending June 30,	
2015	$ 38
2016	25
2017	4
Total Minimum Operating Lease Payments	$ 67

Ceremonial groundbreaking for the new Richard Woodcock Education Center, June 13, 2014

WOU's new College of Education building is now one step closer to reality thanks to a generous donation from former psychology professor and education leader Dr. Richard W. Woodcock. The $1.4 million gift is the third largest single donation in school history and will help create the Richard Woodcock Education Center; a 58,000 square foot facility scheduled to open in the fall of 2016.

The $18.6 million facility continues to expand the university's academic footprint as part of its strategic plan to meet the growing needs of Oregonians and assist in the state's 40-40-20 initiative to provide a better educated Oregon citizenry and improved economy. WOU's College of Education, recipient of the Christa McAuliffe Award as the top teacher education program in the nation, currently produces the second largest number of new teachers in the state and approximately 80 percent of school districts employ its alumni as teachers and administrators.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

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

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

For the Year Ending June 30,	General Obligation Bonds XI-F(1)	XI-G	XI-Q	SELP	COPs	Lottery Bonds	Total Payments	Principal	Interest
2015	$ 4,784	$ 1,188	$ 70	$ 411	$ 970	$ 769	$ 8,192	$ 3,579	$ 4,613
2016	5,842	1,184	69	411	971	769	9,246	4,754	4,492
2017	4,810	1,172	69	410	972	770	8,203	3,782	4,421
2018	4,664	1,162	69	411	971	770	8,047	3,836	4,211
2019	4,700	985	70	411	970	769	7,905	4,085	3,820
2020-2024	21,244	5,156	346	2,054	4,851	5,592	39,243	23,541	15,702
2025-2029	20,319	4,985	346	2,037	4,855	5,133	37,675	27,853	9,822
2030-2034	14,709	618	346	719	-	3,041	19,433	15,029	4,404
2035-2039	10,121	-	139	-	-	-	10,260	8,664	1,596
2040-2044	1,873	-	-	-	-	-	1,873	1,787	86
Accreted Interest								2,746	(2,746)
								$ 99,656	$ 50,421
Total Future Debt Service	**93,066**	**16,450**	**1,524**	**6,864**	**14,560**	**17,613**	**150,077**		
Less: Interest Component of Future Payments	(33,112)	(3,950)	(612)	(2,165)	(4,362)	(6,220)	(50,421)		
Principal Portion of Future Payments	**59,954**	**12,500**	**912**	**4,699**	**10,198**	**11,393**	**99,656**		
Adjusted by:									
Unamortized Bond Premiums	1,889	85	109	-	416	1,380	3,879		
Total Long-Term Debt	**$ 61,843**	**$ 12,585**	**$ 1,021**	**$ 4,699**	**$ 10,614**	**$ 12,773**	**$ 103,535**		

The State of Oregon and the OUS Board issue various debt instruments to fund capital projects at all OUS institutions, including WOU. These debt instruments include General Obligation Bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery Bonds. In addition, WOU also borrows funds from the Oregon Department of Energy. Principal and interest amounts due relating to WOU's share of these debt issuances are payable to OUS.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2044. During the fiscal year ended June 30, 2014, the OUS Board issued bonded indebtedness as follows:

- XI-F(1) Taxable and Tax Exempt Bond Series 2013 NO, $115,105, effective rate of 4.3 percent for capital construction due serially through 2044.
- XI-F(1) Taxable and Tax Exempt Bond Series 2014 CD, $68,440, effective rate of 3.6 percent for capital construction due serially through 2044.

WOU did not receive any portion of the 2013 NO or the 2014 CD bond sales.

B. Internal Bank

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

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.25 percent to 7.0 percent, are due serially through 2042. During the fiscal year ended June 30, 2014, the State did not issue any XI-G bonds on OUS's behalf.

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal year ended June 30, 2014, the State did not issue any XI-Q bonds on OUS's behalf.

E. Oregon Department of Energy Loans

WOU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at WOU. WOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.0 percent, are due through 2033.

F. Certificates of Participation

COPs, with effective yields ranging from 1.7 percent to 6.2 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of OUS since fiscal year 2010.

G. Lottery Bonds

Lottery Bonds, with effective yields ranging from 0.24 percent to 5.3 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2014, the State did not issue any Lottery Bonds on OUS's behalf.

H. Defeased Debt

WOU participates in a debt portfolio managed by OUS. From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease other debt. During the year ended June 30, 2014, OUS issued no XI-F(1), XI-G, XI-Q or Lottery Bonds to be used to defease previously issued debt.

I. Financial Guarantees

OUS is a governmental agency of the State of Oregon. Therefore the State of Oregon is ultimately responsible for OUS's financial obligations. As of June 30, 2014, no amounts have been paid by the State of Oregon for OUS's financial obligations, both cumulatively and during the current reporting period.

J. State and Local Government Gate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid by WOU in the amount of $283 for June 30, 2014. Principal payments of $115 were applied to the liability for June 30, 2014.

9. PRIOR PERIOD RESTATEMENT

There are no prior period restatements or corrections for WOU for fiscal year 2014.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2014
Internal Bank Investment Earnings	$ 496
Net Appreciation of Investments	10
Royalties and Technology Transfer Income	12
Endowment Income	3
Total Investment Activity	**$ 521**

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The following displays operating expenses by natural classification:

	June 30, 2014
Compensation and Benefits	$ 61,862
Services and Supplies	18,085
Scholarships and Fellowships	8,707
Depreciation and Amortization	5,756
Other Expenses	769
Total Operating Expenses	**$ 95,179**

12.GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following:

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

13. EMPLOYEE RETIREMENT PLANS

Western Oregon University, as a member university of the OUS, offers various retirement plans to qualified employees as described below.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/ OREGON PUBLIC SERVICE RETIREMENT PLAN

Oregon Public Employees Retirement System (System) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which WOU employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits 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.

The State of Oregon Public Employees Retirement System (PERS) is a single cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

Tier One members are eligible for retirement with unreduced benefits at age 58 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

Tier Two members are eligible for retirement with unreduced benefits at age 60 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 60 with less than 30 years of service.

PERS employee contributions requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The WOU employer contribution rates for Tier One and Two for the year ended June 30, 2014 was 9.86%.

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.33 percent. Payroll assessments for the fiscal year ended June 30, 2014 was $1,592.

The Oregon Public Service Retirement Plan (OPSRP) plan is composed of a pension program and an Individual Account Program (IAP). The OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. The IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

The 2003 Oregon Legislature enacted ORS 238.025 creating OPSRP. Employees hired into eligible positions on or after August 29, 2003 are enrolled.

OPSRP members are eligible for retirement with unreduced benefits at age 65 or age 58 with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The WOU employer contribution rate for OPSRP for the year ended June 30, 2014 was 8.14%.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

WOU employer contributions to PERS and OPSRP for the year ended June 30, 2014 was $2,205, equal to the required contributions for that year.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2013. The valuation included projected payroll growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2013, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was $58.6 billion and $1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were $48.1 billion and $1.2 billion, respectively. Information for OUS, including WOU as a member university, as a standalone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking via the Internet at **oregon.gov/pers/docs/financial_reports/2013_cafr.pdf**, or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized OUS to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and established trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to WOU unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

	2014
ORP Tier One	**16.50%**
ORP Tier Two	**16.50%**
OPSRP Equivalent	**6.42%**

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/ COLLEGE RETIREMENT EQUITIES FUND

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

SUPPLEMENTAL RETIREMENT PLAN

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

SUMMARY OF PENSION PAYMENTS

WOU total payroll for the year ended June 30, 2014 was $40,816, of which $34,815 was subject to retirement contributions.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

The following schedule lists payments made by WOU for the fiscal year:

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 2,205	6.33%	$ 1,462	4.20%
ORP	1,202	3.45%	614	1.76%
TIAA-CREF	6	0.02%	6	0.02%
SRP	20	0.06%	-	0.00%
Total	$ 3,433	9.86%	$ 2,082	5.98%

Of the employee share, the employer paid $1,462 of PERS/OPSRP, $614 of ORP, and $6 of TIAA-CREF during the fiscal year ended June 30, 2014.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2014, WOU was a part of OUS as a participant in the defined benefit postemployment health care plan.

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

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

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to WOU's share, estimated at 10 percent of the total PEBB plan costs attributable to the State of Oregon. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2014.

Funding Policy. WOU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal year 2014, WOU paid healthcare insurance premiums of $11,128. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $97 for the fiscal year ended 2014.

Annual OPEB Cost and Net OPEB Obligation. WOU's annual OPEB expense is calculated based on WOU's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

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

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	**$ 280**	**25%**	**$ 1,105**
2013	211	**23%**	922
2012	200	**25%**	805

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

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

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

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between WOU and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

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

15. FUNDS HELD IN TRUST BY OTHERS

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

16. RISK FINANCING

WOU participates in the OUS Risk Management Fund managed by the OUS Office of Risk Management. The following risks have been transferred to the OUS fund:

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

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014 risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of $3 million in case reserves.

In addition to the Office of Risk Management the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

During the year ending June 30, 2014 the Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at $9 billion and included a $500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over $190 towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as director's and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million and for general liability and educator's legal liability, this is an excess of over $1 million in the self-insured program.

WOU is charged an assessment to cover the OUS Risk Management Fund's cost of servicing claims and payments based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately $5,047 at June 30, 2014. These commitments will be primarily funded from gifts and grants, bond proceeds, and other WOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2014.

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.

FOR THE YEAR ENDED JUNE 30, 2014 (DOLLARS IN THOUSANDS)

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, 2014.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2014

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	$ 2,192	$ 463	$ 1,729
Health and Wellness Center	3,100	2,491	609
Projects with <$500 thousand remaining to be spent	12,664	12,037	627
Project Budgets <$1 million	2,210	128	2,082
	$ 20,166	$ 15,119	$ 5,047

18. SUBSEQUENT EVENTS

BONDED INDEBTEDNESS

On July 29, 2014, the State issued on behalf of OUS $13,361 in Lottery Bonds with an average interest rate of 5.0 percent to refund $14,250 in Lottery Bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were $15,831 (after payment of $65 in underwriting costs and bond premium of $2,534).

WOU's portion of the refunding was $1,745 in new bonds to refund $1,861 in previously issued debt. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $136 The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $207 and resulted in an economic gain of $172.

RISK MANAGEMENT STRUCTURE CHANGES

Effective as of July 1, 2014 the OUS Risk Fund (see Note 16) was transferred to the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. Under provisions of SB 270, WOU is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established OUS Risk Fund are transferred to the Trust on the effective date. The following risks have also been transferred from the Fund to the Trust:

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

19. UNIVERSITY FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of WOU. The WOU Foundation is a legally separate, tax-exempt entity with an independent governing board. Although WOU does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of WOU and is discretely presented in the financial statements. The financial activity is reported for the year ended June 30, 2014.

During the year ended June 30, 2014 gifts of $1,314 were transferred from the university foundation to WOU. The WOU affiliated foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the WOU component unit on pages 9 and 11 of this document.

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

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	-	2,262	2,262	0.0%	31,031	7.3%
6/30/2011	-	2,397	2,397	0.0%	31,628	7.6%
6/30/2012	-	2,273	2,273	0.0%	31,452	7.2%
6/30/2013	-	2,306	2,306	0.0%	33,673	6.8%
6/30/2014	-	1,530	1,530	0.0%	34,815	4.4%

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

Eric Yahnke
Vice President for Finance and Administration
Western Oregon University
345 N. Monmouth Ave.
Monmouth, OR 97361
503-838-8459

wou.edu

Western Oregon
UNIVERSITY
Offce of the President
345 N. Monmouth Ave.
Monmouth, OR 97361
503-838-8888
wou.edu