



The Board of Trustees of Oregon State University

Joint Meeting of the Executive & Audit and
Finance & Administration Committees
January 24, 2020
Horizon Room, Memorial Union
Corvallis, Oregon

MINUTES

Executive & Audit Committee Members Present: Patty Bedient, Darry Callahan, Paul Kelly, Ed Ray (*ex officio*), and Kirk Schueler (*vice chair*)

Finance & Administration Committee Members Present: Julia Brim-Edwards (*phone*), Mike Green (*ex officio*), Stephanie Smith, and Mike Thorne (*vice chair*)

Other Trustees Present: Mike Bailey, Michele Longo Eder, Lamar Hurd, Julie Manning, and Preston Pulliams

University Staff Present: Charlene Alexander, Jennifer Almquist, Steve Clark, Debbie Colbert, Ed Feser, Becca Gose, Paul Odenthal, Heidi Sann, Lauren Skousen, Patti Snopkowski, and Irem Tumer

Guest: Jean Bushong (*principal, CliftonLarsonAllen LLP*)

1. Call to Order/Roll/Declaration of a Quorum

Executive & Audit Committee Vice Chair Kirk Schueler called the meeting to order at 8:01 a.m., asked the assistant board secretary to call the roll, noted a quorum, and welcomed members of the Finance & Administration Committee to the joint meeting.

2. Action Item

a. FY2019 External Auditor Annual Report

Schueler asked Chief Audit, Risk and Compliance Executive Patti Snopkowski to introduce Jean Bushong, a representative from CliftonLarsonAllen LLP (CLA), the firm that conducted the external audit of the FY2019 Annual Financial Report. Snopkowski reminded trustees that a financial statement audit and federal compliance audit are conducted annually in accordance with federal regulations. She said the purpose of the presentation by CLA was to summarize the findings from those engagements.

Bushong began by describing the scope of their engagement, which included the financial statement audit; the “single audit,” which is an audit of compliance with certain federal regulations; and a review of the NCAA Agreed Upon Procedures. She added that CLA’s responsibilities under U.S. generally accepted auditing standards include expressing an opinion on whether financial statements are in conformity with U.S. generally accepted accounting principles in all material respects; expressing an opinion only over information identified in the CLA report; performing the external audit in

accordance with required auditing standards; and communicating any significant matters related to the audit, information required by law/regulation, or other information agreed upon by the university. Bushong said CLA issued an unmodified opinion of the university's FY2019 financial statements and had no audit adjustments or findings over financial reporting. She then shared the financial statement audit results, noting that Oregon State University was impacted by Governmental Accounting Standards (GASB) Statement No. 83, Certain Asset Retirement Obligations. As a result of the implementation of this standard, the university reported an asset retirement obligation related to the nuclear reactor and other assets. Bushong spoke about the statements of net position and noted increases in cash and net capital assets, slight decreases in investments, and an increase in liabilities. These changes resulted in a total net position increase. In response to a question by Trustee Patty Bedient about the university's unrestricted net position, Bushong noted that it is negative for many universities because of their net pension liability. Bushong added that if the net pension liability were not included in the calculation, OSU's unrestricted net position would be positive. Bedient observed that the university's net pension liability increased in FY2019, and while removing the total from the calculation results in a positive balance, the university does maintain pension obligations. Trustees discussed the university's financial liability associated with the Public Employees Retirement System (PERS) and the need to continue exploring strategies to address the liability and possible ways to moderate retirement costs in the future.

Bushong described the results of the federal compliance audit of the student financial aid cluster, noting an exception related to enrollment reporting. There were no updates to report on the status of prior year findings as no findings were reported in FY2018. Bushong reviewed CLA's required communications with the Board and noted the university's implementation of GASB Statement No. 83. Next, Bushong reviewed upcoming GASB standards, including GASB Statement No. 84, related to the accounting of custodial funds, and Statement No. 87, related to leases. Trustee Darry Callahan asked about the anticipated impact of implementation, and Associate Vice President for Finance and Controller Heidi Sann said the university was currently working to prepare for implementation and develop a sense of the potential impact. Bushong also reported that the Moody's Investor Service overall outlook for higher education had been upgraded to stable after two years at negative. Bushong noted that enrollment and demographics remain a focus for institutions. In response to a question by Trustee Mike Bailey about slowed growth in international students, Bushong described some of the many complex factors contributing to the trend. Bushong concluded with an overview of other industry trends, including discussions about standardized testing and information technology.

Following the presentation and discussion, a motion was made and seconded by the Executive & Audit Committee to accept the Oregon State University 2019 Annual Financial Report. The motion carried.

3. Adjournment

With no further business proposed, Vice Chair Schueler adjourned the meeting at 8:47 a.m.

Respectfully submitted,

OSU Board of Trustees



Jennifer Almquist
Assistant Board Secretary