

Internal Bank Annual Report

BACKGROUND

The Internal Bank Annual Report is provided pursuant to the university's Internal Bank Policy. This report provides the financial position of the Internal Bank as of June 30, 2016, and the activity of its Central Loan Program for the year then ended. Please note that the performance of investments is reported quarterly to the Board and therefore is not a focus of this report.

PERFORMANCE REPORT

Assets

Assets totaled \$583.8M, consisting of \$57.5M in cash equivalents, \$133.0M in investments and \$393.3M in loans to university departmental borrowers.

Liabilities

Liabilities totaled \$560.3M, consisting of \$197.7M in university departmental deposits, \$355.3M in long-term debt to investors and \$7.3M in accounts payable and accrued liabilities.

Net Position

The ending net position was \$23.5M.

Operations

Net Interest Margin – Interest income from loans and investments totaled \$22.7M, with associated interest expense totaling \$20.5M. The resulting net interest margin was \$2.2M.

Operating Expenses – Operating expenses totaled \$167,041. The majority of these expenses were costs associated with consulting and professional services.

Change in Net Position – Net Position increased \$2.0M from operations.

The following is a comparison of the major operating categories for 2016 actual vs. budget:

For the year ended June 30,	Actual 2016	Budget 2016	Variance
Total Interest Income	\$22,700,731	\$22,119,446	\$581,285
Total Interest Expense	20,498,724	19,166,518	1,332,206
Net Interest Margin	2,202,007	2,952,928	(750,921)
Total Operating Expenses	167,041	756,635	(589,594)
Net from Operations	\$2,034,966	\$2,196,293	(\$161,327)

The FY2016 financial statements, a schedule of outstanding loans, and graphs showing future loan payments to be received and debt service payments to be paid are presented below:

Outstanding Loans

The schedule of loans is broken out in three categories; debt funded, foundation funded and internally funded.

Debt-funded loans

These are loans issued that are currently funded with proceeds externally issued bonds or bonds that are planned to be issued in the following fiscal year. New loans issued this year totaled \$30.0M. Of the \$30.0M, \$22.7M were interim loans for OSU-Cascades Housing and Dining and for IT infrastructure projects, which are to be funded with proceeds of revenue bonds that were sold in August 2016 (FY2017). The remaining balance of \$7.3M was for projects associated with the FY2015 revenue bond sale.

Foundation-funded loans

These loans are issued to advance payments to be received on gift pledges. New loans issued this year totaled \$14.3M; the majority was for the Valley Football Center project - \$14.1M.

Internally-funded loans

These loans are issued using Internal Bank liquidity. One new loan was issued this year for \$0.24M to fund telecommunication equipment for Extension Services.

Debt Service

Over the life of current outstanding loans, a total of \$634.3M in loan payments will be received by the Internal Bank and \$599.0M in bond debt service payments will be paid to investors.

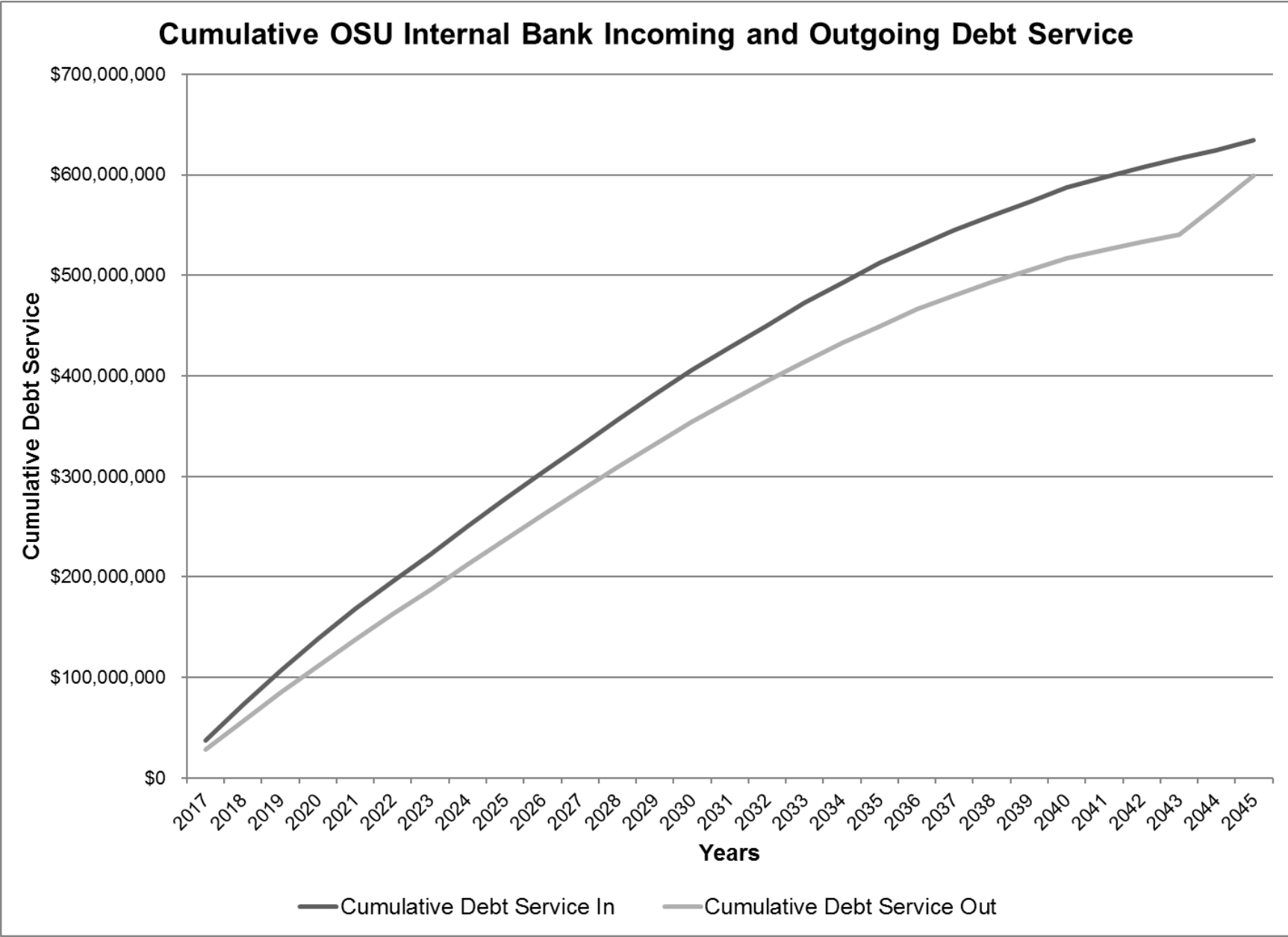
Oregon State University Internal Bank
Statement of Net Position - Unaudited

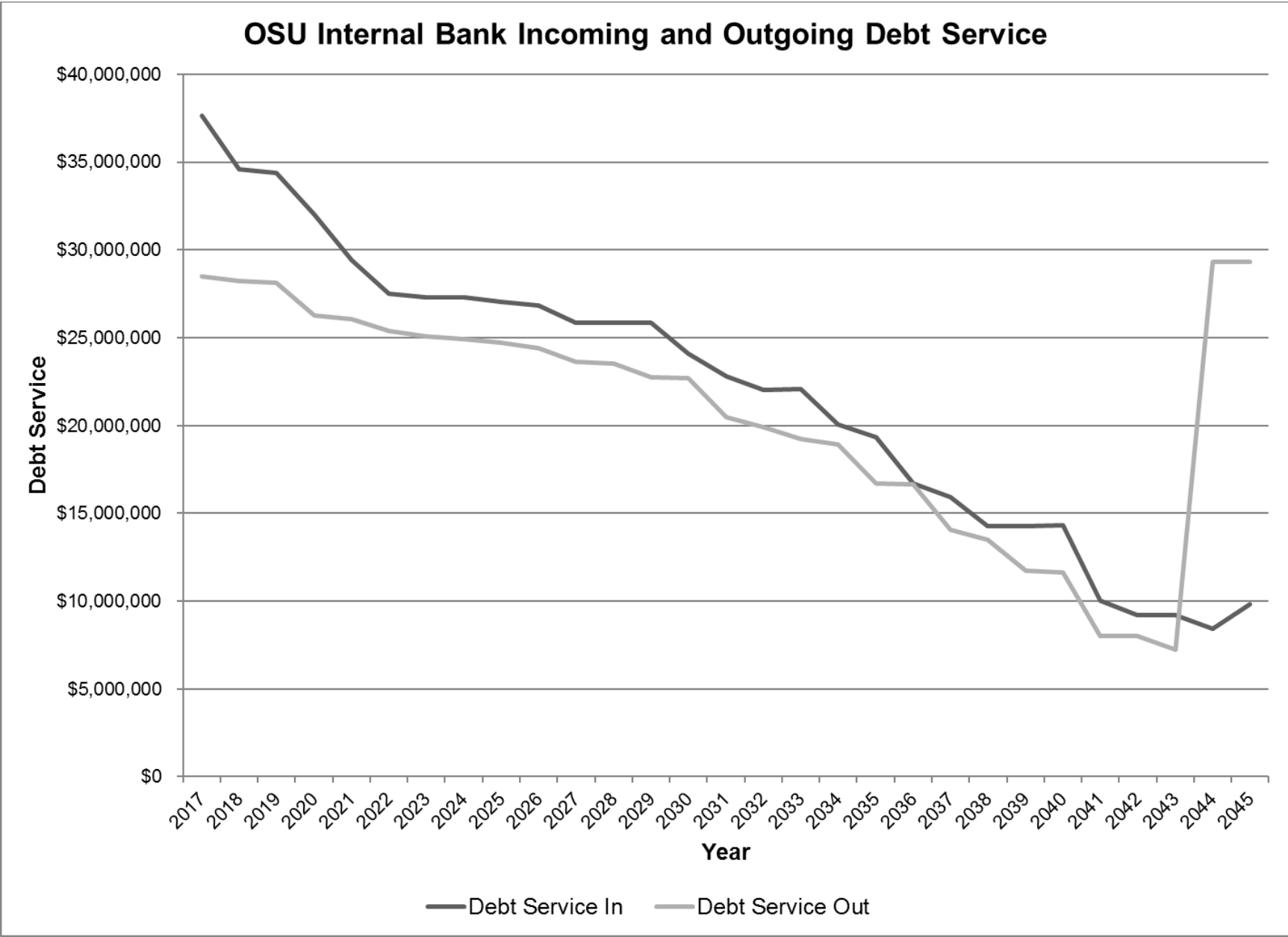
As of June 30,	2016	2015
ASSETS		
Cash Equivalents		
Total Cash Equivalents	\$ 57,505,907	\$ 87,637,933
Investments		
Oregon Intermediate-Term Pool	82,399,067	83,085,614
P.U.F. Long-Term Pool	47,921,475	49,799,319
Net Unrealized Gain/(Loss)	2,716,648	1,616,501
Total Investments	<u>133,037,189</u>	<u>134,501,434</u>
Loans		
Loans	387,314,040	362,026,007
Premium/(Discounts) on Loans	5,951,634	6,431,882
Total Loans	<u>393,265,674</u>	<u>368,457,889</u>
Total Assets	<u>\$ 583,808,770</u>	<u>\$ 590,597,256</u>
LIABILITIES		
Due to Other Funds		
Deposits	\$ 197,659,735	\$ 195,717,941
Total Due to Other Funds	<u>197,659,735</u>	<u>195,717,941</u>
Debt		
XI-F(1) Long Term Debt	294,828,847	305,624,708
XI-F(1) Long-Term Accreted Interest	3,525,465	4,256,277
Revenue Bonds Long-Term Debt	51,115,000	51,115,000
Revenue Bonds Unamortized Premium	5,842,654	6,044,543
Total Debt	<u>355,311,967</u>	<u>367,040,528</u>
Other Liabilities		
Accounts Payable and Accrued Liabilities	7,350,243	6,386,926
Total Liabilities	<u>\$ 560,321,944</u>	<u>\$ 569,145,396</u>
NET POSITION	<u>\$ 23,486,826</u>	<u>\$ 21,451,860</u>

Oregon State University Internal Bank
Statement of Revenues, Expenses & Changes in Net Position - Unaudited

For the year ended June 30,	Budget 2017	Actual 2016	Actual 2015
INTEREST INCOME			
Interest Income	\$ 21,170,058	\$ 19,249,386	\$ 18,504,673
Earnings on Cash Deposits	3,700,000	3,196,209	1,970,789
Investment Earnings	-	53,246	214,495
Bond Building Fund Interest Income	-	-	911
Revenue Bond Premium	341,632	201,889	29,787
Total Interest Income	25,211,690	22,700,731	20,720,654
INTEREST EXPENSE			
Interest Expense-Bond Debt Service	18,825,727	16,904,267	14,362,755
Net Premium/Discount Expense	466,092	480,248	491,173
Interest Paid on Deposits	3,775,955	3,114,209	1,970,789
Interest Expense Investment	-	-	276,723
Total Interest Expense	23,067,774	20,498,724	17,101,440
Net Interest Margin	2,143,916	2,202,007	3,619,214
OPERATING EXPENSES			
Personnel Services	85,938	-	-
Legal Services	78,500	4,436	80,809
Auditing Services	-	-	10,400
Management Consulting Services	136,000	56,158	155,525
Professional Services	337,400	55,425	294,410
Pooled University Fund Assessment	50,568	51,024	4,375
Conference Registration Fee	2,100	-	-
Miscellaneous Supplies	2,000	-	-
Employee Travel	5,900	-	3,364
Total Operating Expenses	698,406	167,041	548,883
Net from Operations	1,445,510	2,034,966	3,070,331
NONOPERATING REVENUES			
Deceased XI-F(1) Debt	-	-	1,642,069
Total Net Nonoperating Revenues	-	-	1,642,069
Increase in Net Position	1,445,510	2,034,966	4,712,400
NET POSITION			
Beginning Balance	23,486,826	21,451,860	-
Impact of establishing the loans and OUS IB closing	-	-	16,739,460
Ending Balance	\$ 24,932,336	\$ 23,486,826	\$ 21,451,860

Internal Bank Master List - Outstanding loans												
As of 6/30/16												
Loan	Issue Date	Payoff Date	IB IN Current Outstanding Balance	Maximum Loan	Interest Only	IB OUT Current Outstanding Balance	Totals IN			Totals OUT		
							Interest In	Principal In	Debt Service In	Interest Out	Principal Out	Debt Service Out
Debt Funded Loans												
XI-F(1) Total Debt	Multiple	6/30/2044	\$291,888,497	N/A	N	\$294,828,847	\$213,040,010	\$291,888,497	\$504,928,507	\$181,980,987	\$294,828,847	\$476,809,835
15A RevBond Classroom Bldg	5/7/2015	3/1/2045	31,739,775	N/A	N		30,436,978	31,739,775	62,176,752			
15A RevBond Cascade Expansion	TBD	TBD										
15A RevBond Nypro	5/7/2015	3/1/2045	5,742,392	N/A	N		5,504,088	5,742,392	11,246,480			
15A RevBond Cascade Master Plan	12/2/2015	1/20/2037	1,902,450				1,149,760	1,902,450	3,052,210			
15A RevBond Interim Cascade Expansion	12/24/2015	3/1/2045	5,408,753				3,826,507	5,408,753	9,235,260			
15A RevBond Total			44,793,371			41,040,000	40,917,332	44,793,371	85,710,703	58,851,500	41,040,000	99,891,500
15B RevBond Space Improvement Program	5/7/2015	3/1/2045	9,772,285	N/A	N	10,075,000	11,513,754	9,772,285	21,286,039	12,243,140	10,075,000	22,318,140
Cascade Housing and Dining		FY17 Rev Bond	22,446,422	42,000,000	N		635,626		635,626			
Infrastructure		FY17 Rev Bond	244,184	10,000,000	N		7,816		7,816			
Debt Funded Total			369,144,758			345,943,847	266,114,539	346,454,153	612,568,691	253,075,627	345,943,847	599,019,475
Foundation Funded Loans												
Goss Stadium *	6/24/2015	TBD	1,579,965	2,820,000	Variable	N/A	171,985	1,282,500	1,454,485			
Coleman Field *	6/24/2015	TBD	514,649	1,460,000	Variable	N/A	58,763	514,649	573,412			
Indoor Golf Practice Facility *	6/24/2015	TBD	251,617	662,184	Variable	N/A	28,074	202,285	230,359			
Goss Scoreboard*	6/30/2016	TBD	238,497	250,000	N		4,798	238,897	243,695			
Valley Football*	6/30/2016	TBD	14,087,897	30,000,000	N		2,573,334	14,087,897	16,661,231			
Foundation Funded Total			16,672,625				2,836,954	16,326,228	19,163,182			
Internally Funded Loans												
Extension Cisco **			239,162	264,958	N		15,213	239,162	254,375			
Weniger Hall**	6/1/2013	6/30/2018	1,172,417	N/A	N	N/A	40,057	1,172,417	1,212,473			
Academic Learning Services **	3/15/2013	6/30/2018	79,450	N/A	N	N/A	2,714	79,450	82,164			
Anthropology Equipment**	1/26/2012	12/31/2016	5,628	N/A	N	N/A	65	5,628	5,694			
Internally Funded Total			1,496,657				58,048	1,496,657	1,554,705			
Totals			387,314,040				269,009,541	364,277,038	633,286,578			
15A RevBond Unissued	N/A	N/A	1,021,398					1,021,398	1,021,398			
Grand Total			\$388,335,437			\$345,943,847	\$269,009,541	\$365,298,435	\$634,307,976	\$253,075,627	\$345,943,847	\$599,019,475





RECOMMENDATION

Staff recommends that the Finance & Administration Committee accept the FY2016 Internal Bank Annual Report.