

Oregon State University

Fiscal Year 2017 Audit Presentation

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Introductions

Jean
Bushong

- Engagement
Principal

Tim
Rawal

- Engagement
Manager



Agenda

Scope of Engagement and Audit Results

Required Communications to Governance

Upcoming GASB Standards

Higher Education Industry Topics

Questions?



Scope of Engagements

Financial
Statement Audit

Single Audit

- Major Programs:
- Research & Development
- SNAP-ED Program

NCAA Agreed Upon
Procedures



Financial Statement Audit Results

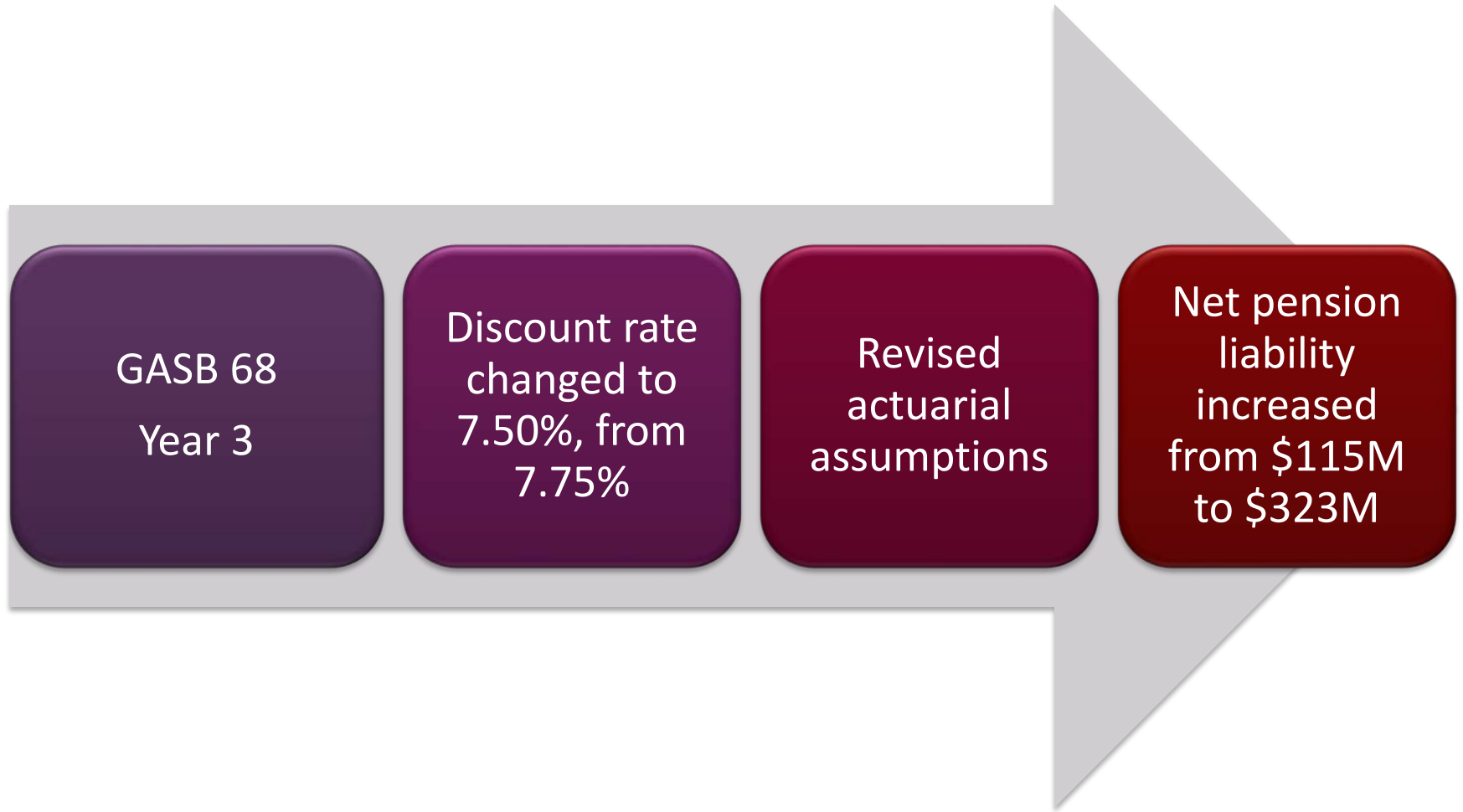
Opinion – unmodified

Findings – none

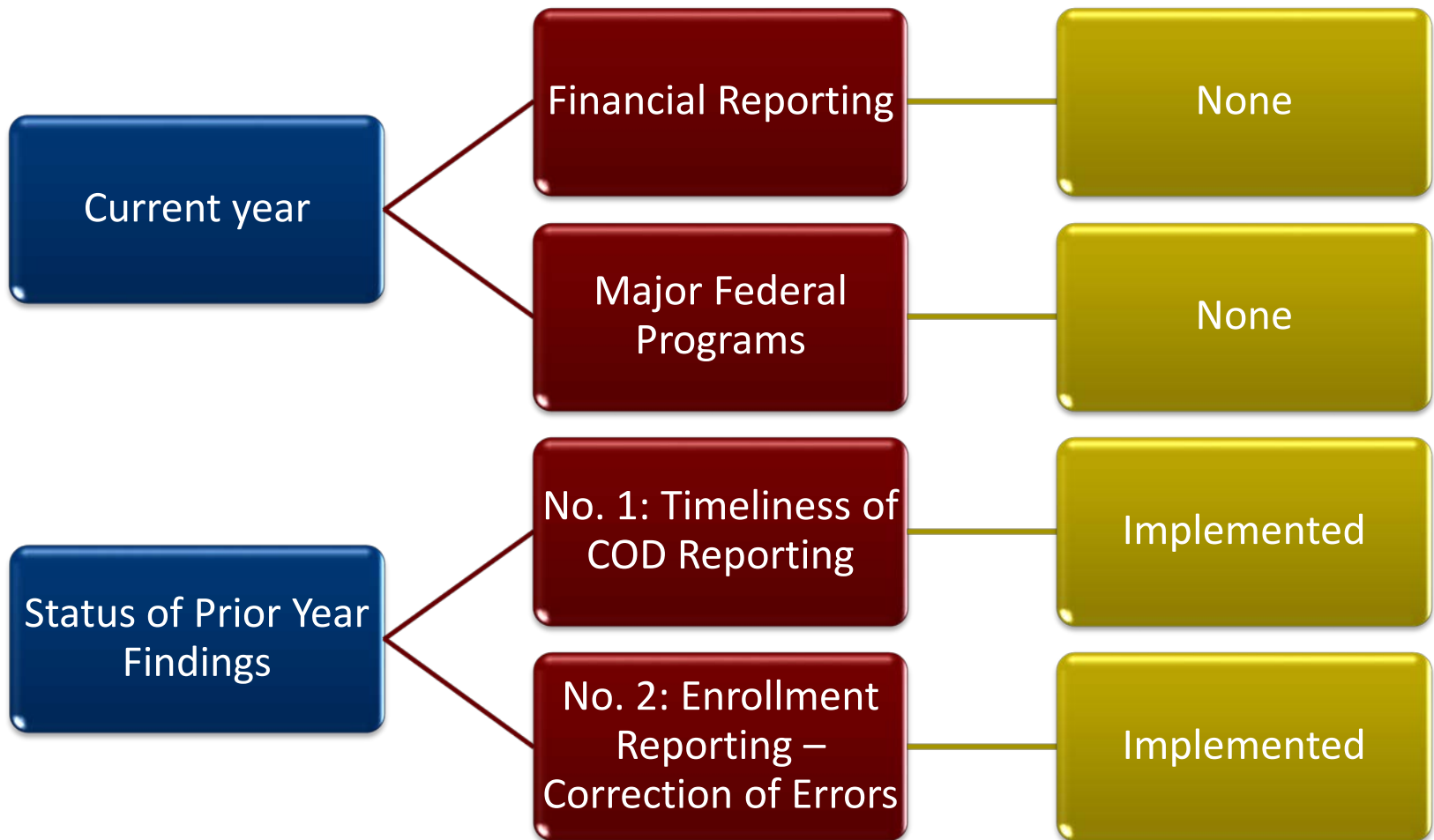
Management Letter – Cyber crime in higher education



Financial Statements – Net Pension Liability



Single Audit Results



Required Communications to Governance

Qualitative Aspects of Accounting Practices

- Accounting Estimates
- Financial Statement Disclosures

Difficulties Encountered in Performing the Audit – None

Uncorrected Misstatement – See letter attachment

Corrected Misstatements – None

Required Communications to Governance

Disagreements with Management

- None

Management Representations

Management Consultations with other Independent Accountants

- None

Significant Issues Discussed with Management Prior to Engagement

- None

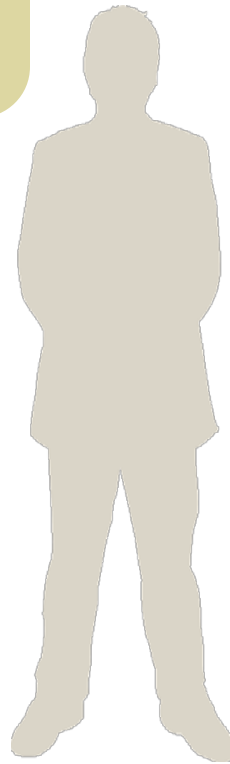
Audits of Group Financial Statements

- No concerns about component auditors' work

Upcoming GASB Standards for Fiscal Year 2018

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Financial reporting for postretirement benefits provided by state and local governments
- Similar in nature to GASB 68
- Potential liability; expanded note disclosure



GASB 81 – Irrevocable Split-Interest Agreements

- Financial reporting for irrevocable split-interest agreements
- Previously, no guidance for public institutions
- OSU holds 2 split interest agreements
- Determining impact to FY18 financial statements

Upcoming GASB Standards for Fiscal Year 2019 and Beyond

GASB Statement No. 83, *Certain Asset Retirement Obligations* (FY2019)

- Defines ARO and when liability is to be recorded.
- Potential material liability? University currently assessing impact.

GASB Statement No. 84, *Fiduciary Activities* (FY2020)

- Impacts accounting of custodial funds (student groups, etc.)

GASB Statement No. 86, *Leases* (FY2021)

- All leases will be required to recognize a right-to-use asset and related liability



Industry Trends: Higher Education

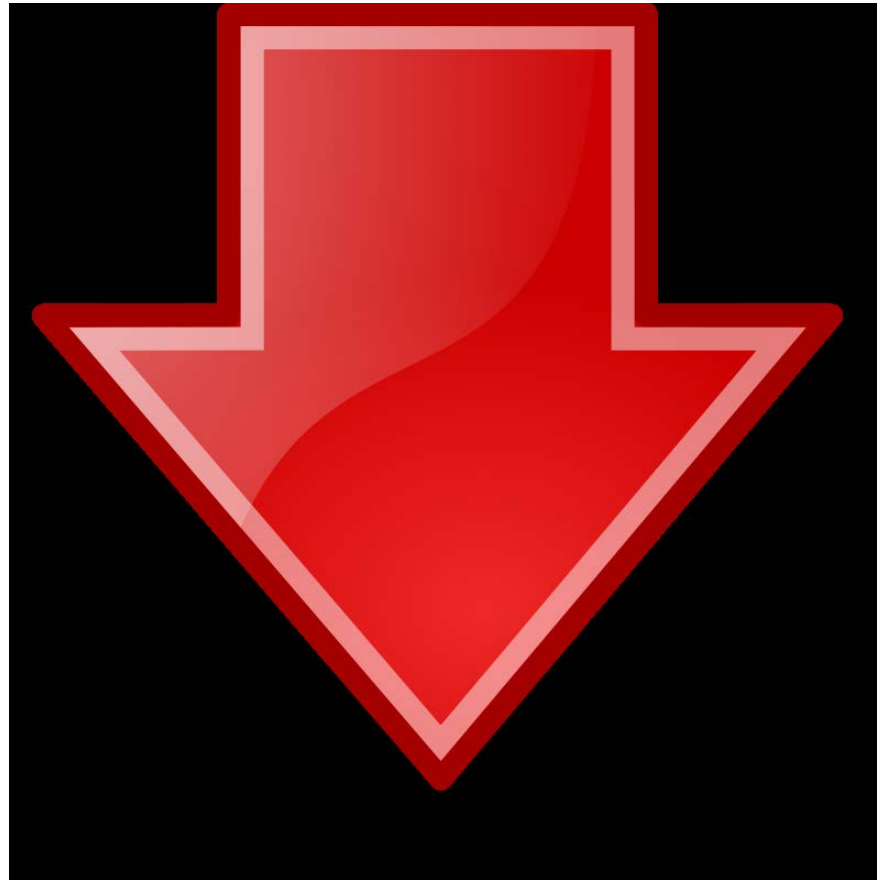


References:
- 2017, *Inside Higher Ed* Survey of College and University Business Officers
- *Moody's* 2018 Outlook for Higher Education
- *Chronicle for Higher Education* Trends Report



Moody's Outlook for Higher Education

Outlook changed from stable to negative.



Revenue Growth

Increase in revenues not expected to keep pace with expense growth (3.5% as compared to 4.0%).

Growth to slow for most revenue streams

- Investment return an exception.
- Tuition growth will remain subdued
- Same for research funding and state appropriations

Public universities expected to face more revenue strain than private.

- Less than 20% of public universities will have revenue growth over 3%



Tuition

Number of high school graduates continues to decline nation-wide

Undergrad enrollment – increase 1-2% based on continued efforts to increase participation and retention

- West and South outlook better than East and Midwest
- Technology
- International recruitment
- Programs to retain “first-in-family” college students

WICHE Projections of High School Graduates

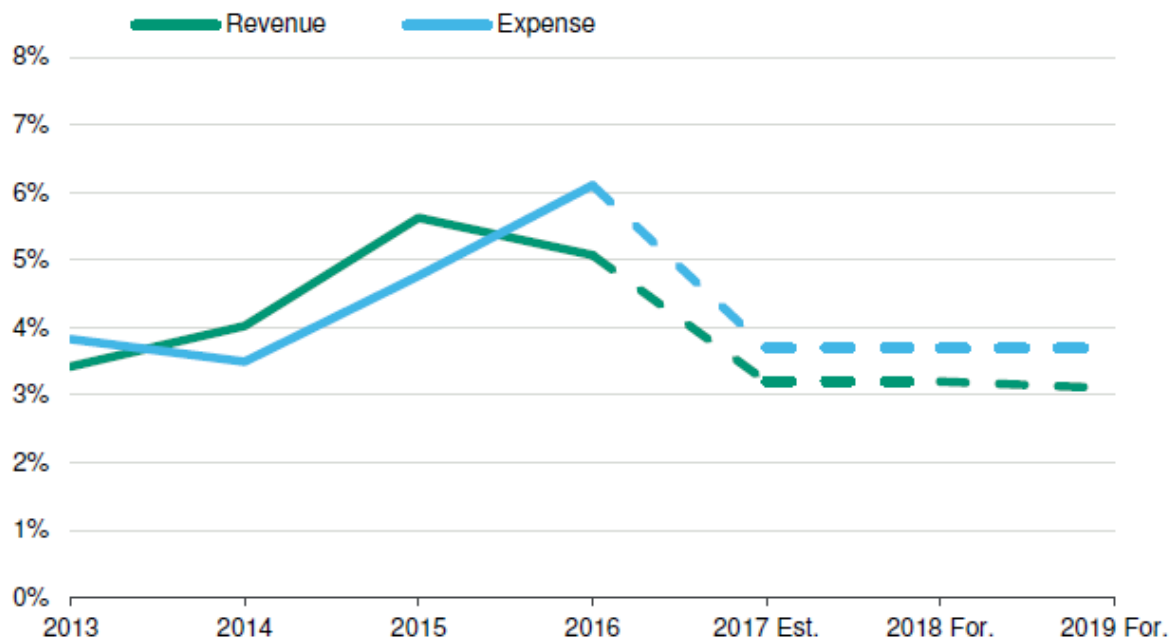


Expense

Exhibit 6

For public universities, expense growth will outpace revenue growth

Aggregate % change in public university revenues and expenses



"Est." indicates our estimated data based on preliminary information. "For." indicates our forecasted data.

Source: Moody's Investors Service



Uncertainty at Federal Level



Federal Tax Reform

Changes to Higher
Education Act / financial
aid programs



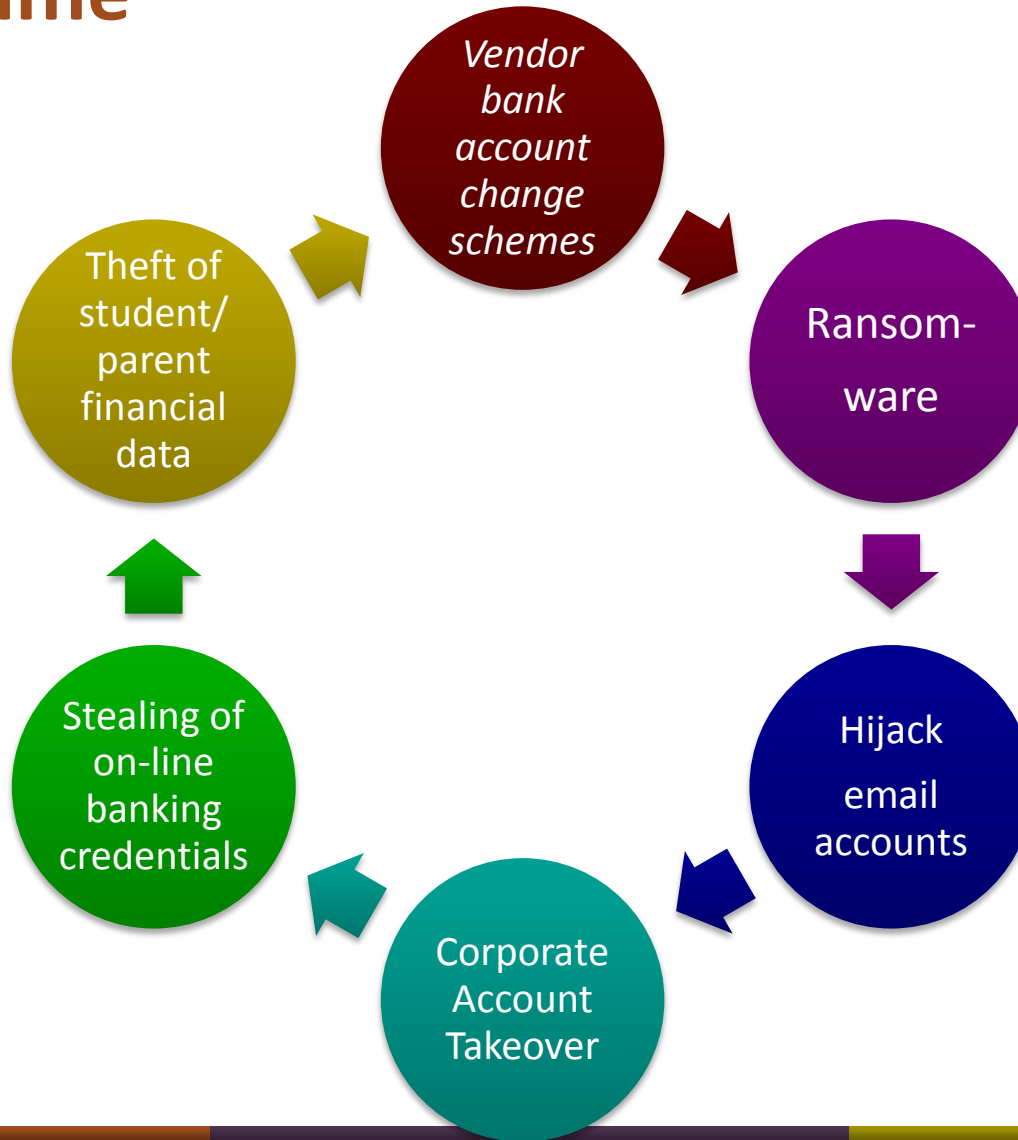
Federal Tax Reform

Impact on Higher Education

- *Increase in standard deduction, elimination of charitable deduction related to right to purchase athletic event tickets may impact charitable giving to OSU and Foundation*
- *Various changes to UBI regarding deductible items and taxable income*
- *Effectively eliminates advance refunding bonds*
- *Tax on Endowments over certain thresholds*
- *CLA Webinar: January 23, 2018*



Cyber Crime



Cyber Crime

Strong Policies

Control Environment

- Multi-layer authentication
- Security “layers”
- Complexity of passwords
- Banking tools, etc.

Test, test, test
(i.e. penetration testing)

Incident Response Plan

Training of employees and students

Communications /reminders

Continuous risk assessment / updating controls

Insurance Coverage



Questions?



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