

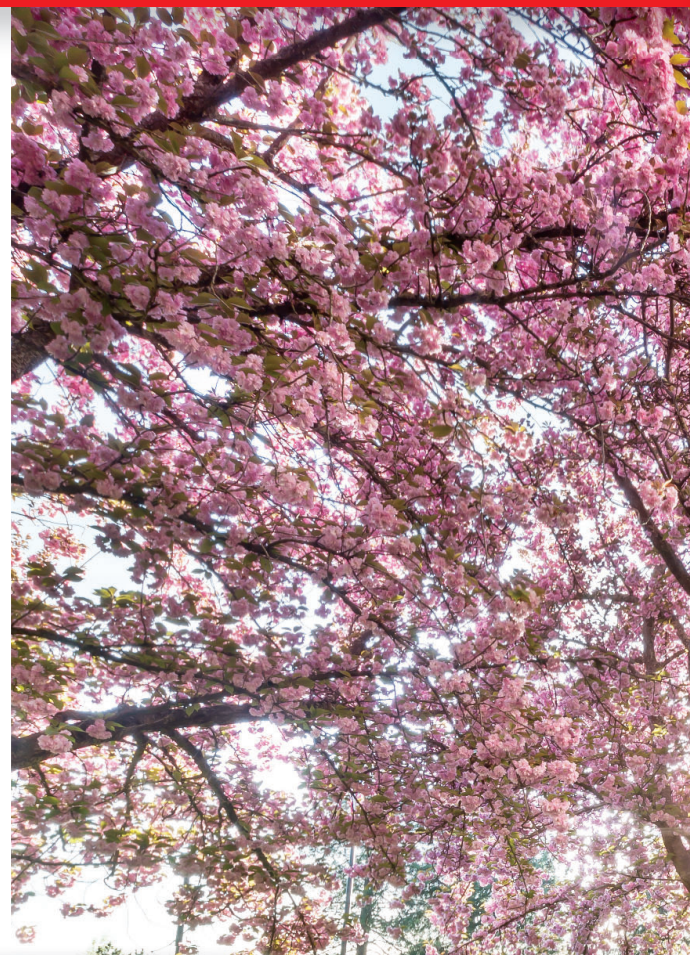
2020 ANNUAL

FINANCIAL REPORT

SO | **Southern OREGON**
U | **UNIVERSITY**

Table of Contents

SOU Board of Trustees and Executive Officers	3
Message from the President	4
Independent Auditors' Report	8
Management Discussion and Analysis	1
Statements of Net Position (University)	20
Statements of Revenues, Expenses and Changes in Net Position (University)	21
Statements of Cash Flows (University)	22
Statements of Financial Position (Component Unit)	24
Statements of Activities (Component Unit)	25
Statements of Fiduciary Net Position (Custodial Units)	26
Statements of Changes in Fiduciary Net Position Net Position (Custodial Units)	27
Notes to the Financial Statements	28
Required Supplementary Information	58





Southern Oregon University Board of Trustees

Dr. Jonathan Bullock	Redmond
Les AuCoin	Portland
Sheila Clough	Ashland
Shaun Franks	Ashland
Lyn Hennion	Applegate Valley
Megan Davis Lightman	Medford
Dylann Loverro	Ashland
Paul Nicholson	Ashland
Deborah Rosenberg	Ashland
Daniel Santos	Salem
Barry Thalden	Ashland
Bill Thorndike	Medford
Steve Vincent	White City
Janelle Wilson	Talent
Dr. Linda Schott (Ex-officio)	Ashland

Southern Oregon University Executive Officers

Dr. Linda Schott <i>President</i>
Greg Perkinson <i>Vice President for Finance and Administration</i>
Dr. Susan Walsh <i>Provost & Vice President for Academic Affairs</i>
Dr. Neil Woolf <i>Vice President for Enrollment Management and Student Affairs</i>
Janet Fratella <i>Vice President for Development and Executive Director, SOU Foundation</i>

MESSAGE FROM THE PRESIDENT



The 2019-20 fiscal year – my fourth since becoming president of Southern Oregon University – was highlighted by financial challenges, adjustments and opportunities for transformation in the years ahead.

The most recent academic year began with a 4.8 percent decrease in full-time equivalent enrollment, resulting in a larger than anticipated drop in student credit hours. This dip is due to various factors, including a nationwide decline in the number of traditional college-age students. Additionally, the costs to operate the university continue to outpace revenue.

These two issues resulted in our need to manage a \$3 million revenue decrease over the course of the academic year. We balanced our FY 20 budget by holding positions vacant, reducing service and supply budgets, implementing a hiring freeze and a salary freeze for Administrative personnel. Thankfully, we also benefited from slight savings in utility costs. We managed those reductions without cutting any academic or student support programs.

The COVID-19 pandemic created additional financial challenges, overshadowing all SOU activities and operations when it arrived in early March. Our course designers, technical experts, and faculty and staff members moved mountains during a two-week spring break. More than 900 courses were originally scheduled to be offered during spring term, and 98 percent remained available to our students via remote or online learning.

Despite the challenges, our campus has come together. Our classified employees, unclassified administrators and faculty members have all made economic sacrifices to help our bottom line. These sacrifices have allowed us to avoid more than 100 layoffs.

As you know, our university developed a new strategic plan in 2017 to help us determine how the SOU of five, 10 or 20 years from now can best serve its students and the region. Unfortunately, the pandemic will have long-term economic consequences and will require that we review our plan, and our vision for SOU's future, in a new light. We have become better teachers and learners

because of COVID-19, and the lessons of maintaining academic integrity through an unpredictable pandemic will remain with us.

We will continue to innovate and persevere. We will react, pivot and refocus as needed to provide the very best services that are possible within our means. But we will not sacrifice the outstanding academic and student support programs that our students love and that prepare them for successful lives of purpose. We will always remain true to our students, employees and region.

Stay safe during these challenging times,

Linda Schott

President, Southern Oregon University

Capital Projects Update

Britt Hall - \$8M project

The project includes seismic upgrades, mechanical, electrical and plumbing systems replacement, and life-safety upgrades in the 50,000 square foot, 3-story Britt Hall. Tenant improvements on the ground floor are in collaboration with the OHSU School of Nursing. Project design work was completed in 2019. Asbestos abatement and selective demolition were completed in March 2020. General construction began in May 2020 and is currently 15% complete. Building re-occupancy is scheduled for September 2021.

Central Utilities Plant - \$2.8M project

This project included replacement of two 50-year old 400 HP steam boilers, replacement of two 20+ year old water chillers, new cooling towers, a new boiler feed water system, and related plumbing, electrical and structural upgrades. Project was completed in May 2020.

Athletics Facilities Projects - \$900,000 project budget

Two projects are being constructed with funds remaining from the Lithia Motors capital project. The work include a 700 square foot addition to Raider Stadium and remodeling of approximately 3,000 square feet of existing space inside the stadium for weight training and sports medicine. The project also includes a new 3,400 square foot athletics equipment storage facility. Construction is currently 70% complete, with final completion scheduled for October 2020.

Taylor Hall Phase 2 - \$800,000 budget

This project includes complete renovation of (6) public toilet rooms and includes replacement of 50-year old plumbing fixtures and ADA upgrades to the toilet rooms. The remodel also includes construction of a new All-Gender toilet room and replacement of finishes at the first floor hallways. Construction began in July 2020 and is approximately 60% complete. Final completion is scheduled for October 2020.

OLLI South Building Addition and Renovation - \$500,000 project

Project included complete interior renovation of approximately 2,900 square feet of existing space plus a 400 square foot addition to accommodate new ADA compliant toilet rooms. Construction began in August 2019 and was completed in February 2020.



Southern Oregon University

SOU benefited from numerous private philanthropic contributions during FY 2019-20, although the impact on gift revenue was significantly impacted by the global COVID-19 pandemic. Gifts and pledges to the SOU Foundation totaled \$2.71 million, bringing the three-year average to \$3.3 million.

While the majority of gifts came from individuals who believe in the future of Southern Oregon University, there is a growing up-tick in support from alumni. Further, the percent of gift revenue devoted to supporting the academic core continues to increase steadily.

Highlights of the year in philanthropy include:

- Donors contributed more than \$650,000 to support students through gifts to scholarship funds. Supporting students continues to be the number one priority of SOU donors.
- Contributions to the academic core of the university reached a five-year high of \$625,000. Gifts support Hannon Library, academic programs, and faculty members.
- A special spring appeal to support the SOU Food Pantry and SOU Cares Program raised \$33,000 and will provide vital support for students as they navigate the challenges caused the COVID-19.
- The SOU Foundation distributed \$3.2 million to the university through earnings on its endowment as well as program support. The market value of the endowment and other funds invested by the foundation was valued at \$31 million at the end of June 2020.
- The SOU Foundation distributed more than \$1.4 million in scholarship support to students. Donors continue to see scholarships as a critical way to help students succeed and have prioritized gifts to support them.
- All three governing boards associated with the SOU reached 100% in giving, demonstrating the commitment that each member has to the future of the university. Board members on the SOU Governing Board of Trustees, SOU Foundation Board of Trustees, and SOU Alumni Association Board of Directors represent 75 individuals who dedicate their time and personal resources to SOU.



2018-19 Top University Accomplishments

- SOU was awarded the Excellence and Innovation Award for Sustainability and Sustainable Development from American Association of State College and Universities in 2019.
- The Board of Trustees of Southern Oregon University received the 2019-20 John W. Nason Award for Board Leadership, given by the Association of Governing Boards of Universities and Colleges (AGB).
- A project co-directed by SOU chemistry professor Hala Schepmann, which supports mid-career women faculty members nationwide in STEM fields, received a five-year, \$1 million National Science Foundation grant in October 2019.
- SOU was awarded a two-year, \$299,000 National Science Foundation grant in September 2019 to develop the “computational thinking” skills of kindergarten-through-fifth-grade students in the Ashland and Phoenix-Talent school districts. The grant is part of the NSF’s Computer Science for All program, which is intended to extend computer science and computational thinking opportunities.
- A study by Portland-based consulting firm ECONorthwest found SOU to be a powerful economic engine for its region, responsible for a total of \$282.5 million in annual output in Jackson County and responsible for a total of 2,146 direct, indirect and induced jobs.
- SOU faculty members Erik Palmer (communication) and Alison Burke (criminology and criminal justice) were awarded Fulbright Scholarships to teach, lecture and conduct research overseas during the 2019-20 academic year. Palmer’s assignment was in Ghana and Burke’s was in Bosnia and Herzegovina. SOU has had three Fulbright scholars in the past three years and a total of 18 including its first in the 1986-87 academic year.
- SOU launched a new Digital Cinema degree program in 2019, to prepare students for careers in film and other forms of visual media.
- SOU expanded its online advanced degree selection in 2019 with the addition of a master of science in education program with three areas of concentration — Leadership in Early Childhood Education, Adult Education, and Curriculum and Instruction in STEM Education.
- SOU’s Laboratory of Anthropology won a 2020 Oregon Heritage Excellence Award for its work on the Oregon Chinese Diaspora Project. The project is one of only ten projects to receive the award.
- SOU was recognized for its “entrepreneurial and business-like” operations during the September 2019 centennial celebration of the Chamber of Medford/Jackson County. SOU and the Jackson County Library District each received Spirit of Enterprise Awards during the Chamber’s Excellence in Business awards ceremony.
- SOU was named one of the nation’s top 20 public liberal arts colleges in a rating by College Values Online, a website that helps prospective students evaluate colleges and universities.
- SOU’s MBA program with a concentration in nonprofit management was ranked at No. 10 on a list of the 25 best programs in the nation by Intelligent.com, a student-focused online guide.
- SOU became the first Oregon university to adopt the Military Order of the Purple Heart proclamation during a formal ceremony in November 2019, pledging the university’s support to military veterans and placing SOU on the “Purple Heart Trail.”
- SOU — which collaborated with Bee City USA to develop guidelines for Bee Campus certification in 2015 — was recertified as a “Bee Campus USA” for a fifth consecutive year. SOU was also named the nation’s top pollinator-friendly college in 2018 by the Sierra Club.
- The Arbor Day Foundation recognized SOU for the sixth straight year as a “Tree Campus USA.”
- SOU is ranked as one of the nation’s top “25 LGBTQ Friendly Colleges” by College Consensus, and has been recognized by Campus Pride for the past several years as one of its top “LGBTQ-Friendly Colleges and Universities.”
- SOU — Ashland’s largest employer — participated with other employers in a confidential health and well-being survey, sponsored by the Ashland Chamber of Commerce, to assess and improve the health of Ashland’s workforce. The survey’s conclusions are being used to guide the Ashland Chamber as it develops programs to benefit employers and employees. This is an example of SOU’s commitment to be a good neighbor and community member.





CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board
Southern Oregon University
Ashland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the remaining fund information of Southern Oregon University (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Southern Oregon University Foundation (the Foundation), which represents 100% 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 reports 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, the University's 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 University'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 University'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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and the remaining fund information of the University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2020, as discussed in Note 1.C., the University implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2018. As a result of the implementation of this standard, certain assets held by the University and related activities are now reported in a fiduciary fund in the basic financial statements and fiduciary net position of \$1,084 is recorded as of July 1, 2018. Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 through 19, the Schedule of the University's Contributions, the Schedule of the University's Proportionate Share of the Net Pension Asset/Liability, the Schedule of University's Proportionate Share of Total PEBB OPEB Liability, the Schedule of University PERS RHIA OPEB Employer Contributions, the Schedule of University's Proportionate Share of Net PERS RHIA OPEB Liability, the Schedule of University's PERS RHIPA OPEB Employer Contributions, and the Schedule of University's Proportionate Share of Net RHIPA OPEB Liability, referred collectively as Required Supplementary Information, 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.

Other Information

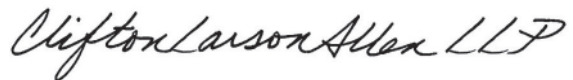
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Message from the President is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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.

Members of the Board
Southern Oregon University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
December 21, 2020

SOUTHERN OREGON UNIVERSITY



INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Southern Oregon University (SOU)/(University) for the years ended June 30, 2020, 2019 and 2018. SOU is comprised of the main campus in Ashland and a second campus in Medford.

UNDERSTANDING FINANCIAL STATEMENTS

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

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

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

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

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

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

The Component Unit, comprised of a supporting foundation, is discretely presented in the SOU financial statements and in Notes 2 and 19.

Custodial Funds, comprised of funds that the University holds on behalf of other organizations, are presented in the SOU financial statements and in Note 1.Z.

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

ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT

SOU's student enrollment contributes to the financial position of the University. The following is a table showing the annual full time equivalent student enrollment for the past five years.

	2020	2019	2018	2017	2016
SOU	4,089	4,296	4,442	4,357	4,478

FINANCIAL POSITION SUMMARY

The University's financial position saw decreases in both 2020 and 2019. The 2020 Net Position decrease was due, in large part, to a decrease in Unrestricted Net Position mainly caused by adjustments for OPEB and Pension liabilities and their related deferrals required by GASB Statements 68 and 75.

The 2019 Net Position decrease was due, in large part, to a decrease in Unrestricted Net Position mainly caused by adjustments for OPEB and Pension liabilities required by GASB Statements 68 and 75 and in decreases in net position for normal business activities.

STATEMENT OF NET POSITION

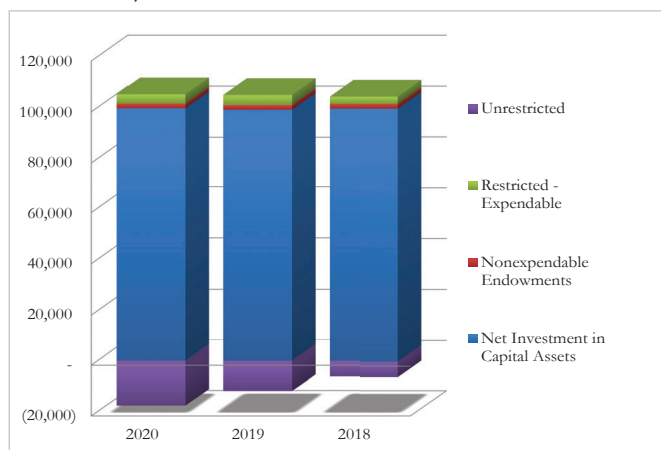
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of SOU's current financial condition. Changes in Net Position that occur over time indicate improvement or deterioration in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

Condensed Statement of Net Position

As of June 30,	2020	2019	2018
Current Assets	\$ 14,922	\$ 14,800	\$ 18,132
Noncurrent Assets	16,218	20,564	25,405
Capital Assets, Net	137,723	138,853	139,547
Total Assets	\$ 168,863	\$ 174,217	\$ 183,084
Deferred Outflows of Resources	\$ 12,021	\$ 14,025	\$ 13,385
Current Liabilities	\$ 12,040	\$ 14,259	\$ 20,180
Noncurrent Liabilities	76,947	77,739	76,669
Total Liabilities	\$ 88,987	\$ 91,998	\$ 96,849
Deferred Inflows of Resources	\$ 4,429	\$ 3,241	\$ 1,490
Net Investment in Capital Assets	\$ 99,610	\$ 99,033	\$ 99,451
Restricted - Nonexpendable	1,812	1,812	1,812
Restricted - Expendable	3,703	4,000	2,950
Unrestricted	(17,657)	(11,842)	(6,083)
Total Net Position	\$ 87,468	\$ 93,003	\$ 98,130

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2020, 2019 and 2018.



Comparison of fiscal year 2020 to fiscal year 2019

Net Investment in Capital Assets increased \$577 or 1%.

- Capital asset increases of \$3,856 were mainly offset by a \$4,970 increase to accumulated depreciation and asset retirements of \$16. In addition, long term debt associated with capital assets decreased \$1,782. The debt liability is offset by both an accounts receivable in contracts payable to the State that have not yet been used to create an asset in 2019 and a prepaid expense in 2020 which was caused by unspent bond proceeds which will be used to pay a portion the long term liability in 2021, there was \$74 less for these adjustments in 2020 than there was in 2019. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 16.

Restricted Expendable Net Position decreased \$297 or 7%.

- Net position relating to funds reserved for debt service decreased by \$402. The decrease is primarily due to a decrease in funds reserved for debt service payments on student building fee funded projects.
- Net position relating to the funding of capital projects increased \$169 due primarily to increased funds for the McNeal Athletic Project.
- Net position related to gifts, grants and contracts decreased \$326 due primarily to net position related to the institutional portion of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of June 30, 2020, SOU incurred \$1,388 of expenditures that were identified as allowable under the institutional portion of the HEERF. However, due to spend contingencies stipulated in the HEERF and in accordance with GASB Statement No. 33, revenue from the institutional portion allocation can only be recognized up to the amount recognized for the student portion allocation. As a result, SOU was only able to recognize \$811 in revenue from the institutional portion. However, the full amount of the eligible expenditures was recorded in 2020.
- Net position related to student loans increased \$37.
- Net position related to the OPEB asset increased \$225. See "Note 15 Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position decreased \$5,815 or 49% due in large part to net pension expense of \$4,656 during fiscal year 2020 as well as a decrease in net position due to operations. See "Note 10. Unrestricted Net Position" for additional information.

Comparison of fiscal year 2019 to fiscal year 2018

Net Investment in Capital Assets decreased \$418 or less than 1%.

- Capital asset increases of \$4,536 were mainly offset by a \$5,119 increase to accumulated depreciation and asset retirements of \$111. In addition, long term debt associated with capital assets decreased \$1,521 and unspent bond proceeds decreased \$25 to zero. The debt liability is offset by accounts receivable in contracts payable to the State that have not yet been used to create an asset, which decreased \$1,219. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 17.

Restricted Expendable Net Position increased \$1,050 or 36%.

- Net position relating to funds reserved for debt service increased by \$649. The increase is primarily due to an increase in funds reserved for debt service payments on student building fee funded projects.

- Net position relating to the funding of capital projects increased \$16.
- Net position related to gifts, grants and contracts increased \$150 due primarily to increased balances in gift funds.
- Net position related to student loans increased \$77.
- Net position related to the OPEB asset increased \$158. See "Note 15. Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position decreased \$5,759 or 95% due in large part to the following:

- Net pension expense for 2019 was \$3,602.
- Net OPEB expense for 2019 was (\$13).
- Unrestricted Net Position due to operations decreased \$2,418.

See "Note 10. Unrestricted Net Position" for additional information.

Total Assets and Deferred Outflows of Resources

Total Assets decreased \$5,354 or 3% and \$8,867 or 5% during the years ended June 30, 2020 and 2019, respectively. Deferred Outflows of Resources decreased \$2,004 or 14% and increased \$640 or 5% in the fiscal years ended June 30, 2020 and 2019, respectively.

Comparison of fiscal year 2020 to fiscal year 2019

Current Assets increased \$122 or 1%.

- Current Cash and Cash Equivalents decreased \$646 primarily due to decreases in cash held in building repair and replacements fund of \$620, cash held for debt service payments due in the subsequent fiscal year of \$296, and cash held for payment of other payroll expenses (OPE) of \$169. These decreases were mainly offset by an increase in cash for operations of \$456.
- Collateral from Securities Lending decreased \$467.
- Accounts Receivable increased \$686. The largest change to receivables was due to an increase in receivables for federal grants and contracts of \$1,074, including a receivable for CARES Act funds of \$811. This was largely offset by a decrease in receivables for student tuition and fees. See "Note 3. Accounts Receivable" for additional information.
- Current Notes Receivable increased \$227 due primarily to an increase in current notes for institutional and other student loans. See "Note 4. Notes Receivable" for additional information.
- Prepaid Expenses increased \$330 due primarily to unspent bond proceeds for the completed Student Rec Center. The project was completed under budget and, rather than have the University return the proceeds, the State will apply them to a bond payment in fiscal year 2021.

Noncurrent Assets decreased \$4,346 or 21%.

- Noncurrent Cash increased \$1,696 primarily due to a decrease in the amount of cash held in investments of \$2,440. This was caused by a desire to increase liquidity to counteract anticipated losses caused by COVID-19 related changes. This increase in noncurrent cash was offset by a decrease in noncurrent cash held for future debt service payments.
- Investments decreased \$6,746. The decrease is primarily due to less cash available for investment of \$6,519 as well as a decrease in unrealized gain on investments during the year.
- The Net OPEB Asset increased \$225. See "Note 15. Other Postemployment Benefits" for additional information.
- Noncurrent Notes Receivable increased \$479 primarily due to an

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

increase in noncurrent receivables due for institutional and other student loans. This increase was offset by a decrease in long term receivables from a third party, which committed to pay for a portion of SOU's debt service. See "Note 4. Notes Receivable" for additional information.

Net Capital Assets decreased \$1,130 or 1%. Increases are due primarily to added construction in progress of \$2,930 and other capitalized additions of \$926. These additions were mainly offset by net changes to accumulated depreciation of \$5,000. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources decreased \$2,004 or 14%. The decrease to deferred outflows is attributable to changes in the Net Pension Liability, which decreased deferred outflows by \$1,846, and also to changes in the OPEB Liability, which decreased deferred outflows by \$158. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these changes.

Comparison of fiscal year 2019 to fiscal year 2018

Current Assets decreased \$3,332 or 18%.

- Current Cash and Cash Equivalents increased \$254 with the largest increase due to cash for operations of \$491. This increase was mainly offset by a decrease in cash held for payment of other personnel expense (OPE) liabilities of \$257.
- Collateral from Securities Lending decreased \$468.
- Accounts Receivable increased \$288. The largest changes to receivables was due to increases in receivables due from fiduciary units and those for student tuition and housing fees. This was primarily offset by a decrease in funds receivable for auxiliary operations. See "Note 3. Accounts Receivable" for additional information.
- Current Notes Receivable decreased \$3,587 due primarily to decreases in current notes for federal student loans and in construction reimbursements due from the State of Oregon. See "Note 4. Notes Receivable" for additional information.

Noncurrent Assets decreased \$4,841 or 19%.

- Noncurrent Cash decreased \$1,008. Decreases in the amount of cash held for construction projects and debt service payments were offset by a decrease in the amount of cash held as investments.
- Investments decreased \$4,014. The decrease is primarily due to less cash available for investment offset by an increase in endowment investments and unrealized gain on investments during the year.
- The Net OPEB Asset increased \$158. See "Note 15. Other Postemployment Benefits" for additional information.

Net Capital Assets decreased \$694 or less than 1%. Increases are due primarily to added construction in progress of \$1,183 and other capitalized additions of \$3,353. These additions were offset by total retirements and adjustments to Capital Assets of \$253. Net changes to accumulated depreciation of \$4,977 included additions to accumulated depreciation of \$5,119 and a decrease due to retirements and adjustments of \$142. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources increased \$640 or 5%. The increase to deferred outflows is attributable to changes in the Net Pension Liability,

which increased deferred outflows by \$592, and also to changes in the OPEB Liability, which increased deferred outflows by \$48. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these changes.

Total Liabilities and Deferred Inflows of Resources

Total Liabilities decreased \$3,011 or 3% during the year ended June 30, 2020. Total Liabilities decreased \$4,851 or 5% during the year ended June 30, 2019. Deferred Inflows of Resources increased \$1,188 or 37% during the fiscal year ended June 30, 2020 and increased \$1,751 or 118% during the fiscal year ended June 30, 2019.

Comparison of fiscal year 2020 to fiscal year 2019

Current Liabilities decreased \$2,219 or 16%.

- Accounts Payable and Accrued Liabilities decreased \$1,260 due to decreased payables across all categories, the largest decrease is in payables for services and supplies, which decreased \$992. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased \$467.
- The current portion of Long-Term Liabilities increased by \$281 due primarily to an increase in the current portion of the compensated absences liability, mainly offset by a decrease in the current portion of contracts payable to the State. See "Debt Administration" in this MD&A and "Note 9. Long Term Liabilities" for more information on these changes.
- Unearned revenue decreased by \$762 due primarily to decreases in unearned revenues related to financial aid as well as prepaid tuition and fees. These decreases were offset by an increase in unearned revenue related to grants and contracts.

Noncurrent Liabilities decreased \$792 or 1%.

- Net Pension Liability increased \$1,844. For additional detail, see "Note 14. Employee Retirement Plans".
- OPEB Liability decreased \$226. For additional information, see "Note 15. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities decreased \$2,410 due primarily to payments made on contracts payable to the State. For additional detail, see "Note 9. Long-Term Liabilities".

Deferred Inflows of Resources increased \$1,188 or 37%. The increase to deferred inflows is attributable to changes in the Net Pension Liability, which increased deferred inflows by \$966, and also to changes in the OPEB Liability, which increased deferred inflows by \$222. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these change.

Comparison of fiscal year 2019 to fiscal year 2018

Current Liabilities decreased \$5,921 or 29%.

- Accounts Payable and Accrued Liabilities decreased \$5,008 primarily due to the process of liquidating the Perkins Loan Program as well as a decrease in contract retainage payable. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased \$468.
- The current portion of Long-Term Liabilities decreased by \$544 due primarily to a decrease in the current portion of the compensated absences liability and in contracts payable to the State. See "Debt

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Administration" in this MD&A and "Note 9. Long Term Liabilities" for more information on these changes.

- Unearned revenue increased by \$109 due primarily to an increase in deferred revenues related to grants and contracts, offset by decreased revenues for prepaid tuition and fees for summer term.

Noncurrent Liabilities increased \$1,070 or 1%.

- Net Pension Liability increased \$2,542. For additional detail, see "Note 14. Employee Retirement Plans".
- OPEB Liability decreased \$29. For additional information, see "Note 15. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities decreased \$1,443 due primarily to payments made on contracts payable to the State. For additional detail, see "Note 9. Long-Term Liabilities".

Deferred Inflows of Resources increased \$1,751 or 118%. The increase to deferred inflows is attributable to changes in the Net Pension Liability, which increased deferred inflows by \$1,652, and also to changes in the OPEB Liability, which increased deferred inflows by \$99. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these change.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (SRE)

Due to the classification of certain revenues as nonoperating revenue, SOU shows a loss from operations. State General Fund Appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under GASB Statement No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of SOU:

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2020	2019	2018
Operating Revenues	\$ 50,933	\$ 51,645	\$ 54,892
Operating Expenses	99,895	95,324	90,614
Operating Loss	(48,962)	(43,679)	(35,722)
Nonoperating Revenues,			
Net of Expenses	38,628	34,942	31,279
Other Revenues	4,799	3,610	18,575
Increase (Decrease) in Net Position	(5,535)	(5,127)	14,132
Net Position, Beginning of Year	93,003	98,130	84,772
Change in Accounting Principle	-	-	(774)
Net Position, End of Year	\$ 87,468	\$ 93,003	\$ 98,130

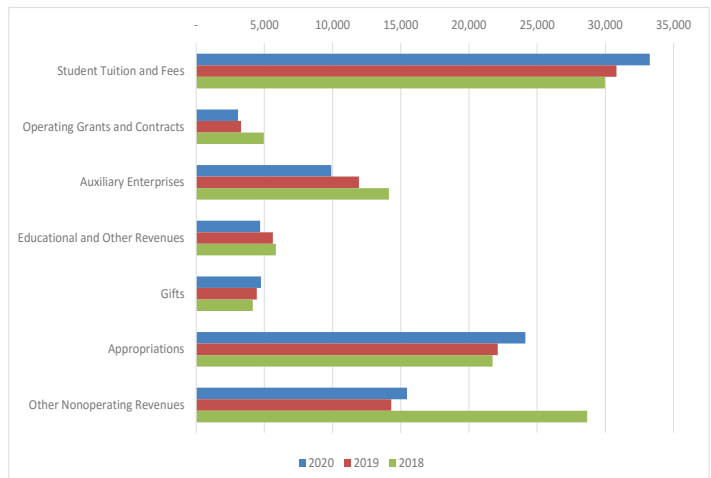
Revenues

Revenues increased \$2,785, or 3%.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2020	2019	2018
Student Tuition and Fees	\$ 33,263	\$ 30,812	\$ 29,965
Grants and Contracts	3,069	3,290	4,952
Auxiliary Enterprises	9,908	11,925	14,128
Educational and Other	4,693	5,618	5,847
Total Operating Revenues	50,933	51,645	54,892
Appropriations	24,141	22,107	21,729
Financial Aid Grants	9,686	9,327	9,709
Gifts	4,747	4,439	4,142
Investment Activity	1,154	1,547	566
Capital Grants and Gifts	4,620	3,431	18,396
Total Nonoperating and Other Revenues	44,348	40,851	54,542
Total Revenues	\$ 95,281	\$ 92,496	\$ 109,434

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues decreased 1% from \$51,645 in 2019 to \$50,933 in 2020. Operating revenues decreased 6% from \$54,892 in 2018 to \$51,645 in 2019.

Comparison of fiscal year 2020 to fiscal year 2019

Student Tuition and Fees increased \$2,451 or 8%.

- Higher tuition and fee rates contributed \$1,239, while lower enrollment decreased revenue by \$57.
- Fee remissions increased \$327, while scholarship allowances decreased \$1,612, causing an increase to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by \$17, causing a decrease.

Federal, State and Nongovernmental Grants and Contracts decreased \$221 or 7%.

- Federal grant and contract revenues increased \$88.
- State and local grant activity decreased \$57.
- Nongovernmental grant activity decreased \$252 primarily due to a decrease in revenue from commercial businesses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Auxiliary Enterprise revenues decreased \$2,017 or 17% due mainly to the following:

- Housing and Dining revenues decreased \$1,279. The decrease was primarily due to decreased revenue from conferences, leases, and housing fees. These decreases were largely caused by the Coronavirus pandemic. In addition, there were increased financial aid amounts used to offset room and board.
- Student Center revenue decreased \$438 primarily due to decreases in incidental fees and other miscellaneous revenues.
- Health Center revenue decreased \$125 mainly due to decreased revenue from student fees. There were also decreases in reimbursements for services provided to students from a local government contract and revenues from other medical services, both of which can be partially explained by decreased student presence on campus due to closures made necessary by the COVID-19 pandemic. In addition, enrollment decreases during fall and winter decreased the amount of fees collected.
- Parking decreased \$84 primarily due to decreases in student parking fees, meter parking, and parking fines and fees. This can also be attributable to campus closures due to Coronavirus.
- Other Auxiliaries decreased \$70 primarily due to a decrease in fees for the recreation center as SOU reduced fees for students in response to the reduced usage caused by campus closures for COVID-19.

Educational Department Sales and Services revenues decreased \$430 or 11% due to decreases across all categories including income for camp and clinics, lease incomes, and sales commissions.

Other Operating revenues decreased \$495 or 26% mainly due to decreases in insurance recoveries, miscellaneous other revenues, and interest income. In light of the financial hardships SOU's students faced due to the pandemic, SOU halted interest on student loans and waived late fees during the spring of 2020. These decreases were primarily offset by increases to reimbursements from outside entities.

Comparison of fiscal year 2019 to fiscal year 2018

Student Tuition and Fees increased \$847 or 3%.

- Higher tuition and fee rates contributed \$328, while lower enrollment decreased revenue by \$11.
- Fee remissions and scholarship allowances decreased \$518, causing an increase to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by \$12, causing an increase.

Federal, State and Nongovernmental Grants and Contracts decreased \$1,662 or 34%.

- Federal grant and contract revenues decreased \$330 due primarily to decreases in grants made possible by the US Department of Education and the Department of Interior.
- State and local grant activity increased \$73 primarily due to increases in grants from the Department of Transportation and other Oregon state agencies. These increases were offset mainly by decreases in grants from the Department of Parks and Recreation.
- Nongovernmental grant activity decreased \$1,405 primarily due to a decrease in revenue from contracted food services, as well as grants and contracts from foundation, associations, and societies.

Auxiliary Enterprise revenues decreased \$2,203 or 16% due mainly to the

following:

- Housing and Dining revenues decreased \$1,256. The decrease was primarily due to decreased revenue from room and board fees, offset by increases attributed to conference housing fees. These increases were largely offset by a decrease in lease income.
- Student Center revenue decreased \$623 primarily due to decreases in incidental fees and miscellaneous sales and service income.
- Athletics revenue decreased \$107 primarily due to a decrease in post season income, which was mainly offset by an increase in incidental fees.
- Health Center revenue decreased \$180 mainly due to decreased revenue from student fees and a decrease in reimbursements for services provided to students from a local government contract.
- Parking decreased \$22 primarily due to decreases in parking fines and fees.
- Other Auxiliaries decreased \$15 primarily due to an increase in incidental fees.

Educational Department Sales and Services revenues decreased \$34 or 1% due primarily to a decrease in memberships income. This was mainly offset by an increase in conference income.

Other Operating revenues decreased \$195 or 9% mainly due to decreases in insurance recoveries and miscellaneous other revenues. These decreases were primarily offset by increases to reimbursements from outside entities.

Nonoperating and Other Revenues

The increase in Nonoperating Revenues of \$3,497 during 2020 is primarily due to increases in government appropriations and in capital grants and gifts. The decrease in Nonoperating Revenues of \$13,691 during 2019 is primarily due to a decrease in capital grants and gifts.

Comparison of fiscal year 2020 to fiscal year 2019

Government Appropriations increased \$2,034 or 9% due to increased funding received from the State of Oregon. See "Note 13. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased \$308 or 7% mainly due to increased gifts from the SOU Foundation and also from foundations, associations, and societies. These increases were offset by decreases in gifts from the State.

Financial Aid Grants increased by \$359 or 4% due mainly to grants given through the federal CARES Act as well as increased grants from the Oregon Opportunity Grant. The main offset to these increases was a decrease in PEIL grant funds awarded.

Investment Activity revenues decreased \$393 or 25% largely due to net depreciation of investments, offset by gains on the sale of investments. Due to revenue uncertainties related to the Coronavirus, a portion of the intermediate-term investments in the PUF were sold in order to provide a liquidity cushion for fiscal year 2021. See "Note 11. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased \$1,189 or 35% mainly due to the following:

- Capital Grants from XI-Q State bond funded construction projects increased \$1,246 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

- Capital gifts in kind from private individuals increased \$30.
- Capital gifts from the SOU Foundation decreased \$87.

Comparison of fiscal year 2019 to fiscal year 2018

Government Appropriations increased \$378 or 2% due to increased funding received from the State of Oregon. See "Note 13. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased \$297 or 7% mainly due to increased gifts from unaffiliated foundations, associations, and societies as well as from the SOU Foundation and also private individuals. These increases were offset by decreases in gifts from the State.

Financial Aid Grants decreased by \$382 or 4% due mainly to a decrease in revenue for the Pell grant program. The main offset to this decrease was an increase in grants for the Oregon Opportunity Grant Program.

Investment Activity revenues increased \$981 or 173% due primarily to net increases in the fair value of investments. See "Note 11. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts decreased \$14,965 or 81% mainly due to the following:

- Capital Grants from XI-Q State bond funded construction projects decreased \$14,829 from the prior year.
- Capital gifts in kind from private individuals decreased \$208.
- Capital gifts from the SOU Foundation increased \$97.

Expenses

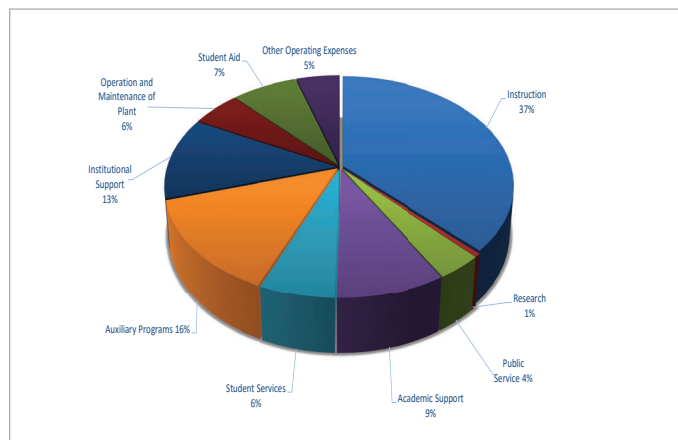
Operating Expenses

Operating expenses increased \$4,571, or 5% in 2020 over 2019, to \$99,895. Operating expenses increased \$4,710, or 5% in 2019 over 2018, to \$95,324. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,	2020	2019	2018
Instruction	\$ 37,367	\$ 35,909	\$ 33,898
Research	489	416	596
Public Service	3,641	3,733	4,555
Academic Support	8,784	7,859	7,330
Student Services	6,020	5,860	5,760
Auxiliary Programs	14,018	15,176	16,502
Institutional Support	12,135	12,556	11,463
Operation and Maintenance of Plant	5,318	5,759	5,588
Student Aid	7,309	4,082	3,831
Other Operating Expenses	4,814	3,974	1,091
Total Operating Expenses	\$ 99,895	\$ 95,324	\$ 90,614

2020 Operating Expense by Function



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

The implementation of GASB No. 68 in 2015 and the implementation of GASB No. 75 in 2018 have had a profound impact on the operating expenses of SOU. The following tables show the effect of these GASB Statements across the functional classifications. The changes associated with recording the components of Net Pension Liability required by GASB No. 68 increased operating expenses by \$4,656; while the changes associated with recording the components of the OPEB Asset/Liability required by GASB No. 75 decreased operating expenses by \$69. See "Note 14. Employee Retirement Plans" and "Note 14. Other Postemployment Benefits" for additional details.

The effect of GASB No. 68 and 75 on Expenses by Functional Classifications with adjustments without adjustments

For the Year Ended June 30, 2020	with adjustments	without adjustments	difference
Instruction	\$ 37,367	\$ 35,195	\$ 2,172
Research	489	464	25
Public Service	3,641	3,497	144
Academic Support	8,784	8,386	398
Student Services	6,020	5,700	320
Auxiliary Programs	14,018	13,534	484
Institutional Support	12,135	11,427	708
Operation and Maintenance of Plant	5,318	4,996	322
Student Aid	7,309	7,309	-
Other Operating Expenses	4,814	4,801	13
Total Operating Expenses	\$ 99,895	\$ 95,309	\$ 4,586

For the Year Ended June 30, 2019	with adjustments	without adjustments	difference
Instruction	\$ 35,909	\$ 34,330	\$ 1,579
Research	416	397	19
Public Service	3,733	3,612	121
Academic Support	7,859	7,550	309
Student Services	5,860	5,617	243
Auxiliary Programs	15,176	14,777	399
Institutional Support	12,556	12,028	528
Operation and Maintenance of Plant	5,759	5,501	258
Student Aid	4,082	4,082	-
Other Operating Expenses	3,974	3,965	9
Total Operating Expenses	\$ 95,324	\$ 91,859	\$ 3,465

For the Year Ended June 30, 2018	with adjustments	without adjustments	difference
Instruction	\$ 33,898	\$ 32,288	\$ 1,610
Research	596	570	26
Public Service	4,555	4,388	167
Academic Support	7,330	7,032	298
Student Services	5,760	5,493	267
Auxiliary Programs	16,502	16,085	417
Institutional Support	11,463	10,937	526
Operation and Maintenance of Plant	5,588	5,311	277
Student Aid	3,831	3,831	-
Other Operating Expenses	1,091	1,081	10
Total Operating Expenses	\$ 90,614	\$ 87,016	\$ 3,598

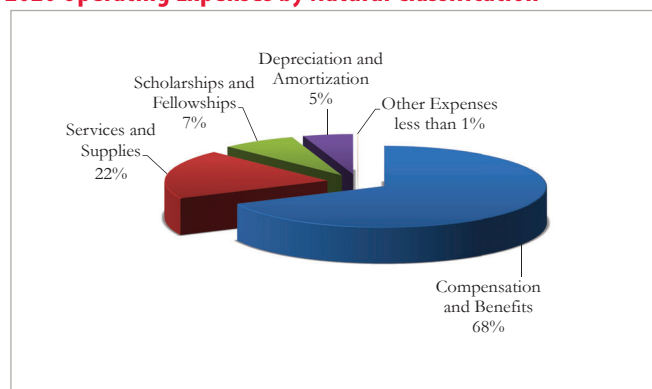
Due to the way in which expenses are incurred by SOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2020	2019	2018
Compensation and Benefits	\$ 67,788	\$ 65,107	\$ 64,408
Services and Supplies	19,712	20,950	17,123
Scholarships and Fellowships	7,406	4,141	4,414
Depreciation and Amortization	4,970	5,119	4,535
Other Expenses	19	7	134
Total Operating Expenses	\$ 99,895	\$ 95,324	\$ 90,614

2020 Operating Expenses by Natural Classification



Comparison of fiscal year 2020 to fiscal year 2019

Compensation and Benefits costs increased \$2,681 or 4% in 2020 compared to 2019 primarily due to:

- Salary and wage costs increased \$191 due to an increase in unclassified pay of \$666, a decrease in classified pay of \$332, and a decrease in student and graduate assistant pay of \$143.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, increased \$1,144.
- OPE costs associated with net Pension Expense increased \$1,054; costs associated with changes in OPEB liability increased \$67; and costs associated with changes in SLGRP decreased \$48.

Services and Supplies decreased \$1,238 or 6%, during 2020. Changes in Services and Supplies expense were mainly due to the following:

- Decreases in expenses of \$1,272 for education and general business operations, particularly vehicle usage fees, legal services, and other fees and services. In addition, there were decreases in travel due to a travel moratorium in response to the Coronavirus.
- Decreases of \$974 for Auxiliary Operations expenses, with the largest decreases of costs being for maintenance and repairs; travel, and other professional services.
- Increases in non-capitalized costs in construction funds of \$747, especially in maintenance and repairs costs.
- Increases in services and supplies for gifts, grants, and contracts of \$261.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Scholarships and Fellowships increased \$3,265 or 79%, when comparing 2020 to 2019. Student aid in the amount of \$2,199 was disbursed from federal CARES Act funds (\$811 from the student portion of funds and \$1,388 from the institutional portion). Other federal and state financial aid awards increased \$955 while financial awards originating from gift funds increased \$122.

Depreciation and Amortization expense decreased \$149 caused primarily to a decrease in depreciation for buildings due to building projects reaching full depreciation. See "Capital Assets and Related Financing" in this MD&A and "Note 5. Capital Assets" for additional details on this change.

Nonoperating Expenses

- Interest Expense decreased \$262 or 12%.

Comparison of fiscal year 2019 to fiscal year 2018

Compensation and Benefits costs increased \$699 or 1% in 2019 compared to 2018 primarily due to:

- Salary and wage costs increased \$1,055 due to an increase in unclassified pay of \$1,396, a decrease in classified pay of \$356, and an increase in student and grad assistance pay of \$15.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, decreased \$181.
- OPE costs associated with net Pension Expense decreased \$92; costs associated with changes in OPEB liability, including the implementation of GASB No. 75, decreased \$41; and costs associated with changes in SLGRP decreased \$42.

Services and Supplies increased \$3,827 or 22%, during 2019. Changes in Services and Supplies expense were mainly due to the following:

- Increases in expenses of \$3,118 for education and general business operations, particularly software leases, maintenance and repairs, and other fees and services.
- Increases in non-capitalized costs in construction funds of \$2,479.
- Increases in services and supplies for gifts, grants, and contracts of \$113.
- Decreases of \$1,883 for Auxiliary Operations, with the largest decreases of costs being for housing and dining repairs and maintenance, fees associated with student centers, and athletic department travel.

Scholarships and Fellowships decreased \$273 or 6%, when comparing 2019 to 2018. Federal and State financial aid awards decreased \$438, while scholarships originating from gifts increased \$136. There were other small changes to scholarships which, when aggregated, increased \$29.

Depreciation and Amortization expense increased \$584 due primarily to an increase in depreciation for real property. See "Capital Assets and Related Financing" in this MD&A and "Note 5. Capital Assets" for additional details on this change.

Other Operating Expenses decreased \$127 or 95% primarily due to decreases in administrative expenses for the Perkins Loan program as well as in collection costs for student loans, mostly due to the assignment of Perkins loans to the federal government.

Nonoperating Expenses

- Interest Expense increased \$125 or 6%.
- There was an increase on the Gain on Sale of Assets of \$16.

Other Nonoperating Items and Perkins Loans Liquidation

Comparison of fiscal year 2020 to fiscal year 2019

Other Nonoperating Items increased \$1,143, primarily due to revenue from the institutional portion of the CARES Act and Corporation for Public Broadcasting Stabilization funds.

Comparison of fiscal year 2019 to fiscal year 2018

Other Nonoperating Items increased \$215.

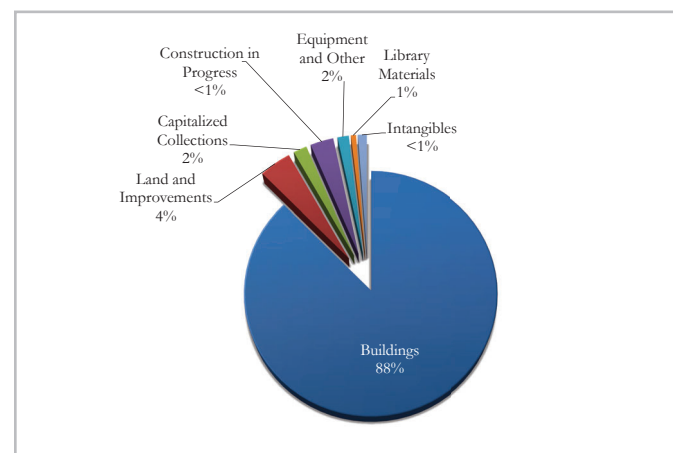
Expenses related to the Perkins Loan Liquidation of \$2,283 were recorded in 2018 and did not reoccur in 2019.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2020, SOU had \$250,079 in capital assets, less accumulated depreciation of \$112,356, for net capital assets of \$137,723. At June 30, 2019, SOU had \$246,209 in capital assets, less accumulated depreciation of \$107,356, for net capital assets of \$138,853.

2020 Capital Assets, Net - \$137,723 thousand



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Changes to Capital Assets

During fiscal year 2020:

	2020	2019	2018
Capital Assets, Beginning of Year	\$ 246,209	\$ 241,926	\$ 208,698
Add: Purchases/Construction	3,856	4,536	33,376
Less: Retirements/ Disposals/Adjustments	14	(253)	(148)
Total Capital Assets, End of Year	250,079	246,209	241,926
Accum. Depreciation, Beginning of Year	(107,356)	(102,379)	(97,980)
Add: Depreciation Expense	(4,970)	(5,119)	(4,535)
Less: Retirements/ Disposals/Adjustments	(30)	142	136
Total Accum. Depreciation, End of Year	(112,356)	(107,356)	(102,379)
Total Capital Assets, Net, End of Year	\$ 137,723	\$ 138,853	\$ 139,547

- Equipment additions of \$375 and retirements and adjustments of \$90 net for a change in equipment of \$285.
- Library materials were added in the amount of \$162, with adjustments of \$95, for a net addition of \$257.
- Construction in progress increased \$2,930.
- Perpetual Intangible assets increased \$216 with the addition of FCC radio licenses, transferred from the JPR Foundation.
- Accumulated depreciation increased \$5,000 due to monthly depreciation as well as retirements and adjustments.

During fiscal year 2019:

- Equipment additions of \$488 and retirements and adjustments of \$135 net for a change in equipment of \$353.
- Library materials were added in the amount of \$168, with disposals of \$95, for a net addition of \$73.
- Capitalized Collections increased \$44.
- Construction in progress increased \$1,183.
- Additions to buildings totaled \$2,355. Additions were primarily additional costs for the Lithia Motors Pavilion, Theater Arts Building, and the Student Recreation Center.
- Accumulated depreciation associated with disposal of equipment and library materials was removed in the amount of \$143.

Debt Administration

During 2020, long-term debt held by SOU decreased by \$1,884 or 5%, from \$40,298 to \$38,414.

Contracts payable to the State of Oregon decreased \$1,648:

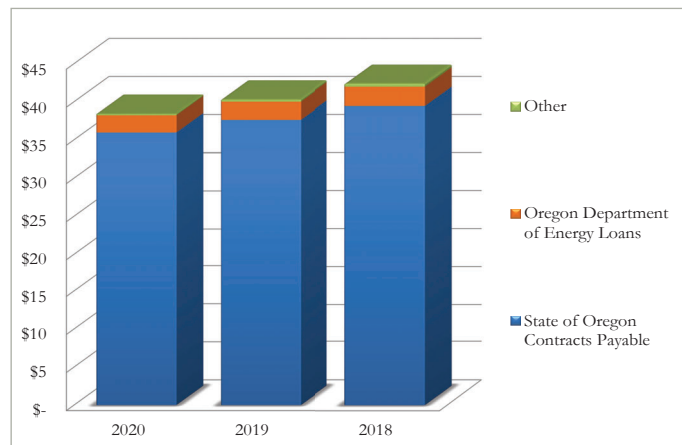
- Principal and accreted interest payments of \$1,653 were made in 2020.
- An accreted interest accrual of \$5 added to the debt.

No new loans were added to the State Energy Loan Program (SELP), while principal payments of \$142 were paid during the year.

Principal payments on installment purchases of \$94 were paid during the year.

Also see "Note 9. Long-Term Liabilities" for additional information.

Long-term Debt



ECONOMIC OUTLOOK

Southern Oregon University continues to engage area industry, businesses, and people to better serve the educational needs of the region and enhance its presence nationally through online programs. SOU's public mission, as a mid-sized regional university offering a comprehensive range of degree programs with a strong emphasis on Business, Education, and the Sciences, and wrapped around a liberal arts foundation, is critically important to the region. The SOU Strategic Plan sets the vision and mission for the University and enables economic development and stability.

The University's financial sustainability is also critical, and management continuously makes efforts to evaluate and establish new programs and partnerships to expand into new areas and enhance resource utilization while lowering costs. Funding for the major activities of SOU comes from a variety of sources including tuition and fees, financial aid programs, state appropriations, donor gifts, and investment earnings. Revenues are also generated through the recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the university.

Similar to many universities across the country, SOU has faced exceptional challenges as a result of the impacts arising from the COVID-19 global pandemic. During the Spring of 2020, disease spread prompted the near-complete conversion of face-to-face courses to remote delivery. Although the University was successful in making the transition, SOU still faced additional losses of enrollment with an estimated 6% fulltime equivalent loss directly attributable to the pandemic. Larger impacts were felt in University Housing activities where students returned home during the statewide lockdowns enacted in early March and resultant refunds issued. Similarly, student fee refunds were issued mid-term in recognition of the toll the pandemic was having on students and their finances.

As the University transitioned into the new fiscal year, concerns remain over the impact of the pandemic going forward and its effect in terms of enrollment, as well as impacts on other student activities. To this end, university management has been actively engaged in the development and implementation of cost controls. The most significant action was

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

enrolling in Oregon's "work share" program and implementing 20-40% furloughs for administrative and classified employees. Unfortunately, further administrative cuts could jeopardize the University's ability to maintain current service levels. Federal relief funds, in the form of the CARES Act, have helped sustain some services without the need to implement more drastic cuts. However, larger uncertainties remain with state funding and potential impacts as a result of lower tax revenue attributed to the pandemic.

Ongoing discussions at the Higher Education Coordinating Commission (HECC) relating to the allocation of state funding in support of higher education activities haven't developed to the point wherein the University feels confident that additional resources will be forthcoming. Progressing into the 2021 fiscal year, previously designated state funding will remain in place as the state utilizes reserves to provide more time for universities to address the impacts of the pandemic over an extended period. However, this represents a short-term solution to a longer-term concern. This situation warrants careful monitoring during the upcoming statewide budget planning cycle for the 2022-23 biennium. Objectively, Oregon universities will be looking to identify other cost-cutting measures to try to keep the cost of education affordable to future students; especially those from underrepresented populations whom SOU excels in serving.

Despite the pandemic, the university is witnessing persistent growth in demand for graduate degrees, especially in online offerings such as the MBA and MS.Ed programs. Additionally, recent demographic data shows Jackson County's population growing at a rate that is almost double the national average. This represents an emerging opportunity to attract future students both of traditional post-high school age and increasingly non-traditional aged students seeking to further their education.

Although SOU continues to face external challenges, the University is actively looking for ways to help students reduce the cost of education while maintaining financial stability to meet ongoing obligations and invest in strategic initiatives that promote enrollment growth and student opportunities. The struggles SOU faces are not unique or insurmountable. Management believes the pandemic ordeal represents an opportunity for faculty, administrators, and staff to seek out innovative approaches to those complex problems and opportunities COVID-19 exposed; and provide a renewed focus on core aspects of how the University delivers exceptional service in all aspects of its mission.



STATEMENTS OF NET POSITION
SOUTHERN OREGON UNIVERSITY

As of June 30,	2020	2019
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 5,774	\$ 6,420
Collateral from Securities Lending (Note 2)	263	730
Accounts Receivable, Net (Note 3)	6,554	5,868
Notes Receivable, Net (Note 4)	1,238	1,011
Inventories	382	390
Prepaid Expenses	711	381
Total Current Assets	14,922	14,800
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	3,311	1,615
Investments (Note 2)	8,757	15,503
Notes Receivable, Net (Note 4)	3,662	3,183
Net OPEB Asset (Note 15)	488	263
Capital Assets, Net of Accumulated Depreciation (Note 5)	137,723	138,853
Total Noncurrent Assets	153,941	159,417
Total Assets	\$ 168,863	\$ 174,217
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	\$ 12,021	\$ 14,025
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	\$ 4,453	\$ 5,713
Deposits	165	176
Obligations Under Securities Lending (Note 2)	263	730
Current Portion of Long-Term Liabilities (Note 9)	3,905	3,624
Unearned Revenues	3,254	4,016
Total Current Liabilities	12,040	14,259
Noncurrent Liabilities		
Long-Term Liabilities (Note 9)	40,697	43,107
Net Pension Liability (Note 14)	34,506	32,662
OPEB Liability (Note 15)	1,744	1,970
Total Noncurrent Liabilities	76,947	77,739
Total Liabilities	\$ 88,987	\$ 91,998
DEFERRED INFLOWS OF RESOURCES (Note 6)	\$ 4,429	\$ 3,241
NET POSITION		
Net Investment in Capital Assets	\$ 99,610	\$ 99,033
Restricted For:		
Nonexpendable Endowments	1,812	1,812
Expendable:		
Gifts, Grants and Contracts	1,911	2,237
Student Loans	315	278
Capital Projects	606	437
Debt Service	383	785
OPEB Asset	488	263
Unrestricted (Note 10)	(17,657)	(11,842)
Total Net Position	\$ 87,468	\$ 93,003

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,	2020	2019
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of \$10,648 and \$11,917, Note 1.T)	\$ 33,263	\$ 30,812
Federal Grants and Contracts	1,338	1,250
State and Local Grants and Contracts	524	581
Nongovernmental Grants and Contracts	1,207	1,459
Educational Department Sales and Services	3,311	3,741
Auxiliary Enterprises Revenues (Net of Allowances of \$1,425 and \$1,276, Note 1.T)	9,908	11,925
Other Operating Revenues	1,382	1,877
Total Operating Revenues	50,933	51,645
OPERATING EXPENSES		
Instruction	37,367	35,909
Research	489	416
Public Service	3,641	3,733
Academic Support	8,784	7,859
Student Services	6,020	5,860
Auxiliary Programs	14,018	15,176
Institutional Support	12,135	12,556
Operation and Maintenance of Plant	5,318	5,759
Student Aid	7,309	4,082
Other Operating Expenses	4,814	3,974
Total Operating Expenses (Note 12)	99,895	95,324
Operating Loss	(48,962)	(43,679)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 13)	23,962	21,928
Financial Aid Grants	9,686	9,327
Gifts	4,747	4,439
Investment Activity (Note 11)	1,154	1,547
Gain (Loss) on Sale of Assets, Net	2	29
Interest Expense	(1,976)	(2,238)
Other Nonoperating Items	1,053	(90)
Net Nonoperating Revenues	38,628	34,942
Loss Before Other Nonoperating Revenues	(10,334)	(8,737)
Debt Service Appropriations (Note 13)	179	179
Capital Grants and Gifts	4,620	3,431
Total Other Nonoperating Revenues	4,799	3,610
Increase (Decrease) In Net Position	(5,535)	(5,127)
NET POSITION		
Beginning Balance	93,003	98,130
Ending Balance	\$ 87,468	\$ 93,003

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

STATEMENTS OF CASH FLOWS
SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,	2020	2019
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 32,332	\$ 30,154
Grants and Contracts	2,869	3,594
Educational Department Sales and Services	3,311	3,741
Auxiliary Enterprises Operations	10,063	11,862
Payments to Employees for Compensation and Benefits	(63,437)	(61,837)
Payments to Suppliers	(20,780)	(21,452)
Student Financial Aid	(7,406)	(4,141)
Other Operating Receipts	1,358	1,893
Fiduciary Activities - Direct Student Loan Receipts	22,906	24,245
Fiduciary Activities - Direct Student Loan Disbursements	(23,062)	(24,245)
Fiduciary Activities - Other Custodial Fund Receipts	475	610
Fiduciary Activities - Other Custodial Fund Disbursements	(478)	(619)
Net Cash Used by Operating Activities	(41,849)	(36,195)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	23,962	21,928
Grants	9,686	9,327
Gifts	4,699	4,496
Other Noncapital Financing Receipts (Payments)	216	(1)
Net Cash Provided by Noncapital Financing Activities	38,563	35,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	179	179
Capital Grants and Gifts	4,063	3,411
State Contracts for Capital Debt	74	1,463
Proceeds from Sale of Capital Assets	18	140
Purchases of Capital Assets	(3,909)	(6,828)
Interest Payments on Capital Debt	(2,105)	(2,159)
Principal Payments on Capital Debt	(1,884)	(2,076)
Net Cash Used by Capital and Related Financing Activities	(3,564)	(5,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	6,965	4,607
Income on Investments and Cash Balances	935	954
Net Cash Provided (Used) by Investing Activities	7,900	5,561
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,050	(754)
CASH AND CASH EQUIVALENTS		
Beginning Balance	8,035	8,789
Ending Balance	\$ 9,085	\$ 8,035

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

STATEMENTS OF CASH FLOWS, continued
SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,	2020	2019
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY		
OPERATING ACTIVITIES		
Operating Loss	(48,962)	(43,679)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	4,970	5,119
Fiduciary Student Loans	(156)	-
Other Fiduciary Activities	(3)	(9)
Changes in Assets and Liabilities:		
Accounts Receivable	410	(370)
Notes Receivable	(626)	(140)
Inventories	8	(43)
Prepaid Expenses	(87)	(138)
Accounts Payable and Accrued Liabilities	(981)	(599)
Long-Term Liabilities	(245)	89
Unearned Revenue	(762)	109
OPEB Asset/Liability and Related Deferrals	(71)	(136)
Net Pension Liability and Related Deferrals	4,656	3,602
NET CASH USED BY OPERATING ACTIVITIES	\$ (41,849)	\$ (36,195)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND		
RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Incurring Capital Lease Obligations		
Contributed Capital Assets Acquired	79	44
Capital Assets Acquired by Accounts Payable	75	183
Increase in Fair Value of Investments Recognized as a		
Component of Investment Activity	218	593

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

STATEMENTS OF FINANCIAL POSITION

SOUTHERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT

As of June 30,	2020	2019
	(in thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 609	\$ 855
Promises to Give, Net	251	351
Total Current Assets	860	1,206
Noncurrent Assets		
Investments	30,500	30,948
LongTerm Promises to Give, Net	137	246
Assets Held Under Split-Interest Agreements	424	410
Other Assets	1,153	1,181
Total Other Assets	32,214	32,785
Total Assets	\$ 33,074	\$ 33,991
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 54	\$ 61
Deferred Revenue	67	170
Payments Due to Related Entity	12	9
Total Current Liabilities	133	240
Obligations Under Split-Interest Agreements	216	193
Total Liabilities	349	433
Net Assets		
Without Donor Restrictions	2,760	2,564
With Donor Restrictions	29,965	30,994
Total Net Assets	32,725	33,558
Total Liabilities and Net Assets	\$ 33,074	\$ 33,991

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

STATEMENTS OF ACTIVITIES

SOUTHERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT

For the Years Ended June 30,	2020	2019
	(In thousands)	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	\$ 124	\$ 190
Contributed Services Support	895	760
Net Investment Income	161	56
Fundraising Activities and Other Income	-	7
Net Assets Released From Restrictions	3,672	3,437
Total Revenue and Other Support	4,852	4,450
Functional Expenses		
Program Services	3,147	2,963
Management and Fundraising	1,509	1,405
Total Expenses	4,656	4,368
Increase In Unrestricted Net Assets	196	82
Beginning Balance, Unrestricted Net Assets	2,564	2,482
Ending Balance, Unrestricted Net Assets	\$ 2,760	\$ 2,564
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	2,534	3,052
Change in Split-Interest Agreements	(18)	4
Net Investment Income	1,243	1,636
Net Realized and Unrealized Gains	(1,223)	(356)
Fundraising Activities and Other Income	107	418
Net Assets Released From Restrictions	(3,672)	(3,437)
Increase (Decrease) In Net Assets With Donor Restrictions	(1,029)	1,317
Beginning Balance, Net Assets With Donor Restrictions	30,994	29,677
Ending Balance, Net Assets With Donor Restrictions	\$ 29,965	\$ 30,994
Increase (Decrease) In Total Net Assets	(833)	1,399
Beginning Balance, Total Net Assets	33,558	32,159
Ending Balance, Total Net Assets	\$ 32,725	\$ 33,558

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

STATEMENTS OF FIDUCIARY NET POSITION

SOUTHERN OREGON UNIVERSITY

As of June 30,	Custodial Funds	
	2020	2019
	(In thousands)	
ASSETS		
Cash Deposits - Student Housing Program	\$ 1,935	\$ 1,803
Cash Reserves - Student Housing Capital	954	803
Cash Deposits - Other	87	62
Accounts Receivable, Net	64	174
Prepaid Expenses	84	-
Total Assets	\$ 3,124	\$ 2,842
LIABILITIES		
Payments Due to University	\$ 1,748	\$ 1,604
Accounts Payable and Accrued Liabilities	9	5
Total Liabilities	\$ 1,757	\$ 1,609
FIDUCIARY NET POSITION		
Restricted For:		
CHF-Ashland, L.L.C.	\$ 1,280	\$ 1,149
Student and Campus Organizations	87	84
Total Fiduciary Net Position	\$ 1,367	\$ 1,233

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

SOUTHERN OREGON UNIVERSITY

As of June 30,	Custodial Funds	
	2020	2019
	(In thousands)	
ADDITIONS		
Student Housing Rentals	\$ 6,182	\$ 5,987
Conference and Miscellaneous Rentals	169	371
Other Additions	59	18
Total Additions	\$ 6,410	\$ 6,376
DEDUCTIONS		
Student Housing Operations	\$ 6,039	\$ 5,965
Student Housing Administrative and General	148	175
Other Deductions	89	87
Total Deductions	\$ 6,276	\$ 6,227
Increase (Decrease) In Fiduciary Net Position	\$ 134	\$ 149
Fiduciary Net Position - Beginning	1,233	1,084
Fiduciary Net Position - Ending	\$ 1,367	\$ 1,233

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Southern Oregon University (SOU)/(University), located in Ashland, Oregon, is governed by the Southern Oregon University Board of Trustees (Board), a citizen board appointed by the Governor and confirmed by the State Senate.

The financial reporting entity includes SOU, the SOU Foundation (Foundation), and fiduciary funds for which SOU is the custodian.

The Foundation statements are displayed as a discretely presented component unit under the guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Discretely presented means that the statements are included separately in the financial report. See "Note 19. University Foundation" for additional information relating to this component unit.

The fiduciary funds are presented under the guidelines established by GASB Statement No. 84, *Fiduciary Activities*.

The Governor of the State of Oregon (State) appoints the SOU Board and, because SOU receives some financial support from the State, the State determined that SOU is a discretely presented component unit and is included in the State's Comprehensive Annual Financial Report (CAFR).

B. Financial Statement Presentation

SOU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the GASB. The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No 34*, modified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides a comprehensive, entity-wide perspective of SOU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, interfund transfers between university funds and internal revenues and expenses associated with self-supporting auxiliary and service center operations have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the SOU Foundation for fiscal years ended June 30, 2020 and 2019 are discretely presented. The Foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the University. No modifications have been made to the Foundation's financial information included in the University's financial report.

Financial statements of fiduciary funds for fiscal years ended June 30, 2020 and 2019 are presented and are prepared in accordance with the requirements of GASB Statement No. 84. SOU holds funds for external entities and individuals including funds for CHF-Ashland, L.L.C. (CHF). CHF owns

North Campus Village, a 702-bed student housing facility. SOU manages North Campus Village on behalf of CHF through a contractual management agreement. The property and all housing revenue generated by North Campus Village is owned by CHF, and these amounts are not included in the University's financial statements. Additionally, SOU holds funds for various campus and student organizations that operate on SOU's campus.

C. Basis of Accounting

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

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

SOU implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2018. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and guidance on how to report activities meeting the criteria in a fiduciary fund in the basic financial statements. This statement requires that fiduciary activities be reported in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Position ("Fiduciary Statements"). SOU holds funds for external entities and individuals that are not derived solely from SOU's revenues. SOU has no administrative or direct financial involvement with the funds held for the benefit of individuals. These funds are reported as Custodial Funds in the Fiduciary Statements. In order to implement GASB Statement No. 84, assets of \$2,799 and liabilities of \$1,847 were removed from the 2019 business-type activity and used to report the ending fiduciary net position at June 30, 2019 for the above mentioned custodial funds.

GASB Statement No. 84 allows business-type activities, such as SOU, to report activities that would otherwise be considered custodial funds in SOU's Statement of Net Position and State of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. These fiduciary activities were reclassified to the operating activities portion of the Statement of Cash Flows at June 30, 2020 and 2019, respectively.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective date of a number of GASB Pronouncements and implementation guides in response to the COVID-19 pandemic and is effective immediately. The Statement permits earlier application of the addressed provisions to the extent specified in each pronouncement as originally issued. SOU has elected to move forward with the implementation of GASB Statement No. 84, *Fiduciary Activities*, for fiscal year ending June 30, 2020. SOU will further evaluate the remaining GASB Pronouncements and implementation guides allowable for postponement under GASB Statement No. 95. SOU may, under certain circumstances, elect to postpone individual GASB Pronouncements and implementation guides in future years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

UPCOMING ACCOUNTING STANDARDS

In June 2017, GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 improves the accounting and financial reporting for leases and was initially effective for the fiscal year ended June 30, 2021. Per GASB Statement No. 95, GASB Statement No. 87 is now effective for the fiscal year ended June 30, 2022. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. This Statement will substantially impact the university's lease accounting and reporting.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end user and is effective for the fiscal year ended June 30, 2023. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement will change how the university accounts for and reports SBITAs.

Between July 2019 and June 2020, GASB issued the following statements which do not currently, but could under certain circumstances in the future, apply to SOU: Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*.

D. Cash and Cash Equivalents

Cash and cash equivalents may include highly liquid investments with original maturities of three months or less. Cash and cash equivalents of the University consist of: cash on hand, cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF), and cash held by U.S. Bank. See "Note 2.A. Cash and Cash Equivalents" for disclosure of restricted portions of cash and cash equivalents.

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. See "Note 11. Investment Activity" for additional information.

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

F. Receivables

Accounts receivable consists primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable for tuition and fee charges are recorded net of estimated uncollectible amounts in accordance with generally accepted accounting principles.

Grants and contracts receivable include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Component Unit receivables include amounts due from the SOU Foundation in connection with reimbursement of allowable expenditures on gift funds. Fiduciary Unit receivables are comprised of amounts due to the University related to the North Campus Village. Capital Construction receivables include amounts due from the State of Oregon in connection with reimbursement of allowable expenditures made pursuant to the grant agreements between the University and the State for facilities projects funded by the State. See "Note 3. Accounts Receivable" for further information.

Notes Receivable has a few main components. Student Loans receivable consists of amounts due from students for loans administered by the University and for the Federal Perkins Loan Program. Construction Reimbursement loans receivable are amounts receivable from the State of Oregon in connection with reimbursement of allowable expenditures made pursuant to the contracts between the University and the State for facilities projects funded by the University. Construction Reimbursements can be current or long term depending on the estimated timing of completion of construction projects. Receivable for Third Party Commitments represent a commitment from the Jefferson Public Radio Foundation. See "Note 4. Notes Receivable" for additional information.

G. Inventories

Inventories are recorded at cost with cost being generally determined on a first-in, first-out or average basis. Inventories consist primarily of supplies in storerooms and physical plant stores.

H. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. SOU capitalizes equipment with unit costs of \$5 or more and an estimated useful life of greater than one year. SOU 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.

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 and historical treasures, or library special collections.

I. Unearned Revenues

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

J. Compensated Absences

SOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for

which employees can receive compensation in a future period. An estimate is made to allocate this liability between its current and noncurrent components. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

K. Net Pension Liability

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are actuarially determined at the system-wide Plan level and are allocated to employers based on their proportionate share. SOU is included in the proportionate share for all state agencies. The SOU proportionate share is allocated to SOU by the Oregon State Department of Administrative Services.

L. Other Postemployment Benefits (OPEB) Asset/Liability

The University reports their proportionate share of the net PERS RHIA OPEB asset, net PERS RHIPA OPEB liability, and the total PEBB OPEB liability, along with the associated deferred outflows of resources and deferred inflows of resources. See "Note 15. Other Post-Employment Benefits (OPEB)" for a detailed description of each plan and the proportionate share methodology for each.

M. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the use of resources in one period that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred outflows have a positive effect on net position that is similar to assets but are not assets. Deferred inflows of resources represent the acquisition of resources that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred inflows have a negative effect on net position that is similar to liabilities, but are not considered liabilities. SOU's deferred outflows and deferred inflows are related to defined benefit pension plans and other postemployment benefits.

N. Net Position

SOU'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 SOU 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.

O. Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the University in accordance with the University's strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

P. Endowments

The University has the authority, through SOU Board policy, to use the interest, income, dividends, or profits of endowments. SOU has entered into an agreement with the Oregon State Treasury (State Treasury) for the management of SOU endowment funds. SOU 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 2021 is estimated to be \$93. For the year ended June 30, 2020, the net amount of appreciation available for authorization for expenditure was \$679. For the year ended June 30, 2019, the net amount of appreciation available for authorization for expenditure was \$694. Net appreciation of endowments are included in Expendable Gifts, Grants, and Contracts on the Statement of Net Position.

Nonexpendable Endowments on the Statement of Net Position of \$1,812 at both June 30, 2020 and 2019 represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

Q. Income Taxes

SOU is treated as a governmental entity for tax purposes. As such, SOU is generally not subject to federal and state income taxes. However, SOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2020 or June 30, 2019, because there is no amount of taxes on such unrelated business income for SOU.

R. Revenues and Expenses

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

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

Nonoperating revenues and expenses generally have the characteristics of nonexchange transactions. In a nonexchange transaction, SOU receives value without directly giving equal value in exchange. Examples of

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

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 loss on sale of assets.

S. State Support

SOU receives support from the State of Oregon in the form of General Fund and Lottery appropriations and debt service appropriations for some Oregon Department of Energy loans, see "Note 13. Government Appropriations" for details on appropriations.

In addition to appropriations, the State of Oregon provides funding for plant facilities on the University's campus. Capital projects for new facilities and capital improvements and repair are funded by philanthropy, campus paid debt and resources, and state-paid debt. The State of Oregon Legislature considers projects from all seven public universities for allocation of Oregon's bonding capacity. Funds for capital projects funded by state-paid debt are provided through grant agreements between SOU and the State of Oregon. Revenue is recorded as Capital Grants in the Statement of Revenues, Expenses and Changes in Net Position when appropriate expenditures are reimbursable per the grant agreements. Funds for capital projects funded by campus paid debt can also be funded through Oregon's bonding capacity. At the time that the bonds are sold, the State of Oregon instructs SOU to record a liability for the debt and a receivable for construction reimbursements, the receivable is reduced as expenditures on the capital project are completed and reimbursed by the State.

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

T. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship and bad debt allowances. A scholarship allowance is the difference between the University's stated rates and charges and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance. SOU has three types of allowances that net into tuition and fees and auxiliary revenues. Tuition and housing waivers provided directly by SOU amounted to \$4,193 and \$3,893 for the fiscal years ended June 30, 2020 and 2019, respectively. Revenues from financial aid programs (e.g., Pell Grants,

Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be \$7,123 and \$8,545 for the fiscal years ended June 30, 2020 and 2019, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$757 and \$755 for the fiscal years ended June 30, 2020 and 2019, respectively.

U. Federal Student Loan Programs

SOU receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities, such as SOU, to report activities that would otherwise be considered custodial funds in SOU's Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by SOU students but not reported in operations was \$23,062 and \$24,245 for the fiscal years ended June 30, 2020 and 2019, respectively.

V. Deposit Liabilities

Deposit Liabilities primarily consist of fund balances held by SOU on behalf of student groups and organizations that account for activities in the SOU accounting system that are not required to be reported in a fiduciary fund under GASB Statement No. 84 and whose cash is part of the cash held on deposit with the State Treasury.

W. 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, deferred outflows and deferred inflows, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

X. Reclassifications

Certain amounts within the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation. The reclassifications had no effect on previously reported total net position.

Y. Title IV Perkins Loans Liquidation

SOU administered Title IV Perkins Loans for the benefit of its students. Funds for the Perkins program were initially received through Federal Capital Contributions (FCC) from the US Department of Education (USDE) and were matched with Institutional Capital Contributions (ICC). Over the years, the proportion of federal to institutional matching funds varied, from a 90/10 split to a 75/25 split. Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed. During the fiscal year ended June 30, 2019, SOU began the process of assigning these loans back to the USDE. Historically, the balance of the Perkins loans has been reported in Notes Receivable and in Net Position Expendable for Student Loans. Due to the return of the loans to USDE, an accrued liability was established for the amount of the remaining Notes Receivable and the Federal portion of the cash which has not yet been returned. See "Note 7. Accounts Payable and Accrued Liabilities" for more information.

During the fiscal year ended June 30, 2020, SOU completed the process of assigning these loans to the USDE and are in the process of purchasing the remaining loans from the USDE.

Z. CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress in March 2020, provides budgetary relief to higher education institutions through numerous provisions. Of the \$30.75 billion allotted to the Education Stabilization Fund through the CARES Act, Congress set aside approximately \$14.25 billion for the Higher Education Emergency Relief Fund (HEERF). Due to the different formulas and discretionary allocations Congress created within the CARES Act, the HEERF is comprised of multiple programs and distribution allocations.

As of June 30, 2020, the total CARES Act funding awarded to SOU was \$3,591. SOU was awarded \$1,711 for the student portion allocation, of which \$809 was received and \$2 was recorded as a receivable as of June 30, 2020. Of the student allocation, \$811 was dispersed directly to students as emergency financial aid grants as of June 30, 2020 and \$900 remains to be dispersed in fiscal year 2021. SOU recognized nonoperating financial aid grant revenue and student aid operating expense for the total amount dispersed to students.

SOU was awarded a matching \$1,711 for the Institutional Portion allocation. As of June 30, 2020, SOU incurred \$1,388 of expenditures that were identified as allowable under the institutional portion of the HEERF. The identified expenditures were funds SOU dispersed directly to student accounts to cover fees associated with unoccupied student housing during the pandemic-caused campus closure. The Collegiate Housing Foundation (CHF), owners of North Campus Village student housing, did not allow for any exceptions to the student housing contracts and required all students pay the agreed upon housing fees, regardless of occupancy, unless fully withdrawing from all classes. In order to support students choosing to continue their studies remotely during the campus closure, SOU dispersed funds directly to student accounts to cover the unoccupied CHF housing fees. SOU recognized student aid operating expense for funds dispersed to student accounts. Because the aid to students was provided through account reductions, and not direct disbursements to students, funds are not considered to be eligible for reimbursement under the student portion allocation. Due to spend contingencies stipulated in the HEERF, and in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenue from the institutional portion allocation can only be recognized up to the amount recognized for the student portion allocation. As of June 30, 2020, SOU recognized \$811 in other nonoperating revenue for the institutional portion and \$900 remains available to SOU for reimbursement of eligible expenditures incurred in fiscal year 2021. As no amounts were received as of June 30, 2020, SOU recorded a corresponding \$811 receivable for the institutional portion funds allowed to be recognized as revenue.

In addition to the student and institutional portions, SOU was awarded \$169 through the Strengthening Institutions Program (SIP). The objective of this program is to assist universities in their ability to serve low-income students by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of the University. No amounts from this program were received or accrued as of June 30, 2020 and the total award amount remains available to SOU for eligible expenditures. Funds are required to be spent in fiscal year 2021.

2. CASH AND INVESTMENTS

The majority of SOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury) during the fiscal years ended June 30, 2020 and 2019. The State Treasury manages these invested assets through commingled investment pools. The operating funds of SOU are commingled with cash and investments from five other Oregon public universities and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined Designated University, currently Oregon State University. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

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

For full disclosure regarding cash and investments managed by the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301 or via the internet at www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx.

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2020 and 2019 as follows:

	June 30, 2020	June 30, 2019
Current		
Unrestricted	\$ 3,626	\$ 3,681
Restricted For:		
Gifts, Grants, and Contracts	114	636
Debt Service	237	278
Student Aid	126	95
Payroll Vendor Payments	1,661	1,718
Petty Cash	10	12
Total Current Cash	5,774	6,420
Noncurrent		
Unrestricted	3,250	1,468
Restricted For:		
Capital	61	147
Total Noncurrent Cash	3,311	1,615
Total	\$ 9,085	\$ 8,035

Noncurrent, unrestricted cash consists primarily of student building fee funds, which were historically restricted for future debt service payments or other capital project expenses. The Board of Trustees now has spending authority over these funds, which are no longer restricted. Currently, the Board has no plans to spend these funds in the next fiscal year, as these

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

funds will likely be used for future debt service payments or other capital project expenses. As such, the University has classified these amounts as noncurrent. The portion of the student building fee funds that will be used for debt service payable in fiscal year 2021 is reported as current cash.

DEPOSITS WITH STATE TREASURY

SOU maintains a portion of its current cash balances on deposit with the State Treasury. These deposits are held on a pooled basis as described above in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool for use by all state agencies or by agreement for related agencies, such as SOU. The State Treasury invests these deposits in high-grade short-term investment securities. While the University is not required by statute to collateralize deposits, it does have a contractual obligation with the State Treasury to collateralize deposits within 24 hours of receipt. At the fiscal year ended June 30, 2020 and 2019, SOU cash and cash equivalents on deposit at the State Treasury, including cash held for custodial (fiduciary) funds as reported on the Statements of Fiduciary Net Position, was \$12,051 and \$10,690, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash deposits will not be returned to a depositor. The University and State do not have formal policies regarding custodial credit risk for deposits. However, banking regulations and Oregon Revised Statute (ORS) Chapter 295 establish the insurance and collateral requirements for deposits in the OSTF. SOU cash balances held on deposit at the State Treasury are invested continuously, therefore 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 denominated in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

For both of the years ended June 30, 2020 and 2019, SOU had vault and petty cash balances of \$10. At June 30, 2020 and June 30, 2019, SOU had no cash held in escrow.

B. Investments

SOU's operating funds are invested in the PUF Core Bond Fund (CBF), managed by the State Treasury. The CBF invests primarily in intermediate-term fixed income securities and is managed with an investment objective to maximize total return (i.e., principal and income) over an intermediate time horizon within stipulated risk parameters. The CBF is actively managed to maintain an average duration of four to five years, through a diversified portfolio of quality, investment grade fixed income securities as defined in the portfolio guidelines. The SOU endowment assets are managed separately by the State Treasury, invested in mutual funds, and directed by external investment managers who are under contract to the OIC. Per policy, the endowment assets are expected to be available in perpetuity. As such, the assets are invested with a long-term horizon while maintaining a prudent level of risk. Investments are managed as a prudent investor would do, exercising reasonable care, skill and caution. See Note 1, Section "P. Endowments" for additional information regarding SOU endowments.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2020, of the total \$8,757 in investments, \$2,512 are restricted for endowments, which include both true and quasi-endowments.

At June 30, 2019, of the total \$15,503 in investments, \$2,527 are restricted for endowments, which include both true and quasi-endowments.

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 SOU's portion of PUF 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, 2020.

Of SOU's total assets invested in the PUF investment pool, as of June 30, 2020, \$6,245 are invested in the CBF. As of June 30, 2019, \$12,976 are invested in the CBF.

Investments of the SOU discretely presented component units are summarized at June 30, 2020 and 2019 as follows:

COMPONENT UNIT

Fair Value at June 30,	2020	2019
Investment Type:		
Mutual Funds:		
Equities	\$ 19,399	\$ 19,703
Fixed Income	11,028	11,189
Cash and Cash Equivalents	73	56
Total Investments	<u>\$ 30,500</u>	<u>\$ 30,948</u>

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. As of June 30, 2020 and 2019, respectively, approximately 91.5 percent and 93.3 percent of investments in the PUF pools are subject to credit risk reporting. Fixed income securities 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 \$120,344 at June 30, 2020 and \$209,190 at June 30, 2019 for investments in the PUF pools. Fixed income securities which have not been evaluated by the rating agencies totaled \$55,753 at June 30, 2020 and \$106,502 at June 30, 2019 for investments in PUF pools. The PUF Investment Pools totaled \$192,396 at June 30, 2020, of which SOU owned \$6,245 or 3.2 percent. The PUF Investment Pools totaled \$338,348 at June 30, 2019, of which SOU owned \$12,976 or 3.8 percent. As of June 30, 2020 and June 30, 2019, SOU's endowment assets managed by the State Treasury are invested in commingled funds and do not have independently published ratings.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The State Treasury has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended

June 30, 2020 and 2019, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The PUF policy for reducing this risk for fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer or no more than three percent of the individual issue. 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. No more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer, with the exception of the US Government and Agency issues. Per this policy, no total investments from a single issuer comprised more than five percent of PUF investments, excluding U.S. Government and Agency issues.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. As of June 30, 2020, approximately 35.36 percent, or \$888, of SOU endowments managed by the State Treasury were subject to foreign currency risk. As of June 30, 2019, approximately 38.4 percent, or \$971, of SOU endowments managed by the State Treasury were subject to foreign currency risk. No investments in the PUF had reportable foreign currency risk at June 30, 2020 or 2019.

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, 2020, securities in the PUF Investment Pool held subject to interest rate risk totaling \$176,097 had an average duration of 3.8 years. As of June 30, 2019, securities in the PUF Investment Pool held subject to interest rate risk totaling \$315,692 had an average duration of 3.4 years. As of June 30, 2020, SOU endowments managed through the State Treasury held subject to interest rate risk totaling \$665 had an average duration of 6.8 years. As of June 30, 2019, SOU endowments managed through the State Treasury held subject to interest rate risk totaling \$662 had an average duration of 6.2 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

FAIR VALUE MEASUREMENT

Investments are reported at estimated fair value as determined by State Treasury, based on a fair value hierarchy which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable. These are only used if relevant Level 1 and Level 2 inputs are not available.

Inputs are used in applying valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. In addition to the underlying reported net asset values (NAV), which generally serve as the primary valuation input, other inputs may include liquidity factors and broad credit data. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value of SOU's investments in the PUF are based on the investments' NAV per share provided by the State Treasury. Fair value measurements for the University's investments in the CBF at June 30, 2020 and 2019 totaled \$6,245 and \$12,975, respectively.

At June 30, 2020, 26.5 percent, or \$665, of the SOU endowment managed by the State Treasury was valued using level 1 inputs and 73.5 percent, or \$1,847, was valued using level 2 inputs.

At June 30, 2019, 26.2 percent, or \$662, of the SOU endowment managed by the State Treasury was valued using level 1 inputs and 73.8 percent, or \$1,865, was valued using level 2 inputs.

At June 30, 2020 and 2019, 100 percent of the SOU Foundation's investments were valued using level 1 inputs.

C. Securities Lending

In accordance with the State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. SOU's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2020 and 2019.

During the year, State Street had the authority to lend short-term, fixed income, and equity securities and receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. security. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the year the State did impose restrictions on the amount of the loans that the custodian made on its behalf. The State Treasury is fully indemnified by the custodian against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state and related agencies, including SOU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at one dollar per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2020 and 2019, is effectively one day. As of June 30, 2020 and 2019, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the University's share of securities lending balances on loan as of June 30, 2020 and 2019 comprised the following:

Investment Type	June 30, 2020	June 30, 2019
U.S. Treasury and Agency Securities	\$ 406	\$ 1,031
Domestic Fixed Income Securities	41	235
International Equity	1	1
Total	\$ 448	\$ 1,267

The fair value of the University's share of total cash and securities collateral received as of June 30, 2020 and 2019 was \$453 and \$1,293, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2020 and 2019 was \$263 and \$730, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2020	June 30, 2019
Student Tuition and Fees	\$ 4,843	\$ 5,288
Auxiliary Enterprises and Other Operating Activities	1,416	1,513
Capital Construction Gifts and Grants	334	253
State, Other Government, and Private		
Gifts, Grants and Contracts	205	177
Component Units	132	84
Fiduciary Units	1,748	1,842
Federal Grants and Contracts	1,165	91
Other	113	95
	9,956	9,343
Less: Allowance for Doubtful Accounts	(3,402)	(3,475)
Accounts Receivable, Net	\$ 6,554	\$ 5,868

The \$1,748 due from a fiduciary unit is due from CHF as described in Note 1.B. Currently, CHF has placed the monies to relieve this receivable in a reserve account, as the University has agreed to act as a guarantor of CHF's bond debt service payments through 2023. If funds are not used for debt service payments by 2023, SOU will then be paid such monies. The University believes the likelihood of having to make this guarantee is highly unlikely.

4. NOTES RECEIVABLE

SOU Notes Receivable has four main components.

Institutional and Other Student Loans include loans offered through the university itself and other various non-federal loan programs.

Receivables for construction reimbursements are due to SOU from the State of Oregon for construction projects that will be reimbursed from bond proceeds held by the state. These notes receivable are offset by loan agreements to the state, which are presented in "Note 10. Long-Term Liabilities".

Receivable for Third Party Commitment represents a commitment from the JPR Foundation to provide funds for future debt service payments on a loan agreement to the state which funded building improvements to space utilized by the SOU JPR Department.

Student loans made through the Federal Perkins Loan Program were funded through interest earnings and repayment of loans previously issued. The Federal Perkins loan program has been discontinued. No new loans were issued and, during the fiscal year ending June 30, 2019, SOU began the process of assigning these loans back to the U.S. Department of Education. As of June 30, 2019, \$42 remained in the process of being accepted by the U.S. Department of Education. As of June 30, 2020, only \$26 had not been assigned. These loans are in the process of being purchased by SOU as institutional student loans. See "Note 1.Y. Title IV Perkins Loans Liquidation" for additional information.

	June 30, 2020		
	Current	Noncurrent	Total
Institutional and Other Student Loans	\$ 731	\$ 2,210	\$ 2,941
Perkins Loans	26	-	26
Receivable for Construction Reimbursements	398	-	398
Third Party Commitment	101	1,710	1,811
	1,256	3,920	5,176
Less: Allowance for Doubtful Accounts	(18)	(258)	(276)
Notes Receivable, Net	\$ 1,238	\$ 3,662	\$ 4,900

	June 30, 2019		
	Current	Noncurrent	Total
Institutional and Other Student Loans	\$ 555	\$ 1,675	\$ 2,230
Perkins Loans	42	-	42
Receivable for Construction Reimbursements	318	-	318
Third Party Commitment	103	1,811	1,914
	1,018	3,486	4,504
Less: Allowance for Doubtful Accounts	(7)	(303)	(310)
Notes Receivable, Net	\$ 1,011	\$ 3,183	\$ 4,194

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2018	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2019	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2020
Capital Assets, Non-depreciable/Non-amortizable:									
Land	\$ 4,364	\$ 92	\$ -	\$ -	\$ 4,456	\$ -	\$ -	\$ 9	\$ 4,465
Capitalized Collections	2,399	44	-	-	2,443	17	-	-	2,460
Construction in Progress	99	1,183	-	(23)	1,259	2,930	-	-	4,189
Perpetual Intangible Assets	1,396	-	-	-	1,396	216	-	-	1,612
Total Capital Assets, Non-depreciable/Non-amortizable	8,258	1,319	-	(23)	9,554	3,163	-	9	12,726
Capital Assets, Depreciable/Amortizable:									
Equipment	12,351	488	-	(135)	12,704	375	-	(90)	12,989
Library Materials	14,792	168	-	(95)	14,865	162	-	95	15,122
Buildings	197,219	2,355	-	-	199,574	74	-	-	199,648
Land Improvements	2,892	99	-	-	2,991	38	-	-	3,029
Improvements Other Than Buildings	1,328	107	-	-	1,435	-	-	-	1,435
Infrastructure	2,995	-	-	-	2,995	44	-	-	3,039
Intangible Assets	2,091	-	-	-	2,091	-	-	-	2,091
Total Capital Assets, Depreciable/Amortizable	233,668	3,217	-	(230)	236,655	693	-	5	237,353
Less Accumulated Depreciation/Amortization for:									
Equipment	(10,043)	(570)	-	134	(10,479)	(578)	-	65	(10,992)
Library Materials	(13,700)	(229)	-	-	(13,929)	(178)	-	(95)	(14,202)
Buildings	(70,742)	(4,161)	-	8	(74,895)	(4,057)	-	-	(78,952)
Land Improvements	(2,000)	(82)	-	-	(2,082)	(83)	-	-	(2,165)
Improvements Other Than Buildings	(855)	(53)	-	-	(908)	(56)	-	-	(964)
Infrastructure	(2,954)	(19)	-	-	(2,973)	(18)	-	-	(2,991)
Intangible Assets	(2,085)	(5)	-	-	(2,090)	-	-	-	(2,090)
Total Accumulated Depreciation/Amortization	(102,379)	(5,119)	-	142	(107,356)	(4,970)	-	(30)	(112,356)
Total Capital Assets, Net	\$ 139,547	\$ (583)	\$ -	\$ (111)	\$ 138,853	\$ (1,114)	\$ -	\$ (16)	\$ 137,723
Capital Assets Summary									
Capital Assets, Non-depreciable/Non-amortizable	\$ 8,258	\$ 1,319	\$ -	\$ (23)	\$ 9,554	\$ 3,163	\$ -	\$ 9	\$ 12,726
Capital Assets, Depreciable/Amortizable	233,668	3,217	-	(230)	236,655	693	-	5	237,353
Total Cost of Capital Assets	241,926	4,536	-	(253)	246,209	3,856	-	14	250,079
Less Accumulated Depreciation/Amortization	(102,379)	(5,119)	-	142	(107,356)	(4,970)	-	(30)	(112,356)
Total Capital Assets, Net	\$ 139,547	\$ (583)	\$ -	\$ (111)	\$ 138,853	\$ (1,114)	\$ -	\$ (16)	\$ 137,723

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2020	June 30, 2019
Deferred Outflows of Resources due to:		
Pension Obligations (Note 14)	\$ 11,832	\$ 13,678
Other Postemployment Benefit Obligations (Note 15)	189	347
Total Deferred Outflows of Resources:	\$ 12,021	\$ 14,025
Deferred Inflows of Resources		
Pension Obligations (Note 14)	\$ 4,002	\$ 3,036
Other Postemployment Benefit Obligations (Note 15)	427	205
Total Deferred Inflows of Resources:	\$ 4,429	\$ 3,241

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2020	June 30, 2019
Services and Supplies	\$ 662	\$ 1,654
Payroll Related	1,661	1,718
Salaries and Wages	1,235	1,167
Accrued Interest	819	948
Construction Payables	24	124
Contract Retainage Payable	51	59
Perkins Loan Program Liquidation	-	42
Other	1	1
Total	\$ 4,453	\$ 5,713

8. OPERATING LEASES

A. Receivables/Revenues

SOU receives income for land and property that is leased to third parties. Rental income received from leases was \$1,791 and \$1,882 for the years ended June 30, 2020 and 2019, respectively. The original cost of assets leased, net of depreciation, was either undetermined or fully depreciated for the years ended June 30, 2020 and 2019. Minimum future lease revenue from noncancelable operating leases at June 30, 2020 were:

For the year ending June 30,	
2021	\$ 1,180
2022	1,216
2023	1,253
2024	1,291
2025	1,312
2026-2030	6,759
2031-2035	6,961
2036-2040	7,170
2041-2045	1,231
Total Minimum Operating Lease Revenues	\$ 28,373

B. Payables/Expenses

SOU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$726 and \$750 for the years ended June 30, 2020 and 2019, respectively. Minimum future lease payments on operating leases at June 30, 2020 were:

For the year ending June 30,	
2021	\$ 639
2022	518
2023	398
2024	114
Total Minimum Operating Lease Payments	\$ 1,669

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

9. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	\$ 37,620	\$ 5	\$ (1,653)	\$ 35,972	\$ 1,555	\$ 34,417
Oregon Department of Energy Loans (SELP)	2,397	-	(142)	2,255	147	2,108
Installment Purchase	281	-	(94)	187	94	93
Total Long-Term Debt	40,298	5	(1,889)	38,414	1,796	36,618
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	3,282	-	(315)	2,967	323	2,644
Compensated Absences	1,988	1,992	(1,841)	2,139	1,598	541
Early Retirement Liability	1,163	120	(201)	1,082	188	894
Total Other Noncurrent Liabilities	6,433	2,112	(2,357)	6,188	2,109	4,079
Total Long-Term Liabilities	\$ 46,731	\$ 2,117	\$ (4,246)	\$ 44,602	\$ 3,905	\$ 40,697

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	\$ 39,445	\$ 13	\$ (1,838)	\$ 37,620	\$ 1,653	\$ 35,967
Oregon Department of Energy Loans (SELP)	2,535	-	(138)	2,397	139	2,258
Installment Purchase	394	-	(113)	281	94	187
Total Long-Term Debt	42,374	13	(2,089)	40,298	1,886	38,412
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	3,556	-	(274)	3,282	311	2,971
Compensated Absences	1,997	2,036	(2,045)	1,988	1,291	697
Early Retirement Liability	791	533	(161)	1,163	136	1,027
Total Other Noncurrent Liabilities	6,344	2,569	(2,480)	6,433	1,738	4,695
Total Long-Term Liabilities	\$ 48,718	\$ 2,582	\$ (4,569)	\$ 46,731	\$ 3,624	\$ 43,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

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

For the Year Ending June 30,	Contracts Payable	SELP	Installment Purchases	Total Payments	Principal	Interest
2021	\$ 3,252	\$ 231	\$ 94	\$ 3,577	\$ 1,776	\$ 1,801
2022	3,214	232	93	3,539	1,776	1,763
2023	3,003	232	-	3,235	1,586	1,649
2024	2,934	232	-	3,166	1,591	1,575
2025	3,033	232	-	3,265	1,763	1,502
2026-2030	14,875	1,146	-	16,021	9,837	6,184
2031-2035	12,587	587	-	13,174	9,316	3,858
2036-2040	7,147	-	-	7,147	5,186	1,961
2041-2044	5,538	-	-	5,538	4,770	768
2046-2050	774	-	-	774	755	19
Accreted Interest					58	(58)
					<u>\$ 38,414</u>	<u>\$ 21,022</u>
Total Future Debt Service	56,357	2,892	187	59,436		
Less: Interest Component of Future Payments	(20,385)	(637)	-	(21,022)		
Principal Portion of Future Payments	\$ 35,972	\$ 2,255	\$ 187	\$ 38,414		

SOU has entered into contract agreements with the State for the repayment of debt instruments issued to fund capital projects at SOU. In addition, SOU also holds loan agreements with the Oregon Department of Energy. The State may periodically issue new debt to refund previously held debt. Per the contract and loan agreements, when this happens the State is required to pass the savings on to the University.

A. Contracts Payable

SOU has entered into loan agreements with the State for repayment of XI-F(1) bonds issued by the State on behalf of SOU for capital construction and refunding of previously issued debt. SOU makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with coupon rates ranging from 2.03 percent to 5.29 percent, are due serially through 2046.

During the fiscal year ended June 30, 2020, the State did not issue any bonds which resulted in either an increase or decrease to SOU's contracts payable to the State. Other changes include debt service payments for principal and accreted interest of \$1,653 and the addition of \$5 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

During the fiscal year ended June 30, 2019, the State did not issue any bonds which resulted in either an increase or decrease to SOU's contracts payable to the State. Other changes include debt service payments for principal and accreted interest of \$1,838 and the addition of \$13 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. Oregon Department of Energy Loans (SELP)

SOU 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 SOU. SOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP

loans, with interest rates ranging from 3.56 percent to 4.40 percent, are due through 2034.

C. Installment Purchases

SOU has installment purchase agreements with the Bonneville Environmental Foundation for three separate projects; the Student Union Solar Project, the North Campus Village Solar Project, and the Watershed Project. These agreements have no interest and will have payments through 2022.

D. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the state and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all public universities, state proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid by SOU in the amount of \$242 and \$235 for June 30, 2020 and 2019, respectively. Principal payments of \$315 and \$274 were applied to the liability for June 30, 2020 and 2019, respectively.

E. Early Retirement Liability

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

to seven years after the employee's retirement date. As of June 30, 2020, 24 retirees are participating in the health and dental benefits option of this plan and a \$1,082 liability will be paid out through fiscal year 2029. As of June 30, 2019, 32 retirees are participating in the health and dental benefits option of this plan and a \$1,163 liability will be paid out through fiscal year 2029.

10. UNRESTRICTED NET POSITION

Unrestricted Net Position was comprised of the following:

	June 30, 2020	June 30, 2019
University Operations	\$ 16,107	\$ 17,276
Compensated Absences Liability (Note 9)	(2,139)	(1,988)
Other Post-Employment Benefits Liability (Note 15)	(1,744)	(1,970)
State and Local Government Rate Pool (Note 9)	(2,967)	(3,282)
Net Pension Liability (Note 14)	(34,506)	(32,662)
Pension & OPEB Related Deferred Outflows (Note 6)	12,021	14,025
Pension & OPEB Related Deferred Inflows (Note 6)	(4,429)	(3,241)
Total Unrestricted Net Position	\$ (17,657)	\$ (11,842)

11. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2020	June 30, 2019
Investment Earnings	\$ 827	\$ 781
Interest Income	18	85
Endowment Income	91	88
Net Appreciation (Depreciation) of Investments	(174)	762
Other	(1)	-
Gain (Loss) on Sale of Investment	393	(169)
Total Investment Activity	\$ 1,154	\$ 1,547



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

12. OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

The reporting of the net pension liability as per GASB Statement Nos. 68 and 71 as well as that of the OPEB liability per GASB Statement No. 75, significantly affects the recorded compensation and benefit expenses of SOU. Changes in the pension and OPEB expenses and their associated reporting requirements increased the reported compensation and benefit expenses of SOU by \$4,587 and \$3,465 for the fiscal years ended June 30, 2020 and 2019, respectively.

During the fiscal year ended June 30, 2020, SOU was awarded funds through the federal CARES Act. Expenses funded with the student portion of the CARES Act as of June 30, 2020 totaled \$811. Expenses funded through the institutional portion of the CARES Act as of June 30, 2020 totaled \$1,388. All CARES Act funded expenses were recorded in the Student Aid classification on the Statement of Revenues, Expenses, and Changes in Net Position and in the Scholarships & Fellowships column below. See "Note 1.Z. CARES Act" for additional information on the nature of these funds.

The following displays operating expenses by both the functional and natural classifications:

June 30, 2020	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	\$ 33,015	\$ 4,330	\$ 22	\$ -	\$ -	\$ 37,367
Research	371	92	26	-	-	489
Public Services	2,484	1,156	-	1	-	3,641
Academic Support	5,628	3,154	-	2	-	8,784
Student Services	5,065	955	-	-	-	6,020
Auxiliary Services	7,143	5,107	68	1,700	-	14,018
Institutional Support	9,680	2,455	-	-	-	12,135
Operation & Maintenance	4,258	1,057	-	3	-	5,318
Student Aid	-	-	7,290	-	19	7,309
Other	144	1,406	-	3,264	-	4,814
Total	\$ 67,788	\$ 19,712	\$ 7,406	\$ 4,970	\$ 19	\$ 99,895

June 30, 2019	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	\$ 31,396	\$ 4,477	\$ 36	\$ -	\$ -	\$ 35,909
Research	353	63	-	-	-	416
Public Services	2,506	1,226	-	1	-	3,733
Academic Support	5,607	2,250	1	1	-	7,859
Student Services	4,773	1,087	-	-	-	5,860
Auxiliary Services	7,324	6,118	29	1,705	-	15,176
Institutional Support	8,855	3,701	-	-	-	12,556
Operation & Maintenance	4,316	1,440	-	3	-	5,759
Student Aid	-	-	4,075	-	7	4,082
Other	(23)	588	-	3,409	-	3,974
Total	\$ 65,107	\$ 20,950	\$ 4,141	\$ 5,119	\$ 7	\$ 95,324

13. GOVERNMENT APPROPRIATIONS

The University receives support from the State of Oregon in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the University and debt service of SELP loans. Appropriations for SELP debt service are dependent upon the loan agreements between the University and the Oregon Department of Energy. Government appropriations comprised the following:

	June 30, 2020	June 30, 2019
General Fund - Operations	\$ 22,895	\$ 21,472
General Fund - SELP Debt Service	179	179
Lottery Funding	1,067	456
Total Appropriations	<u>\$ 24,141</u>	<u>\$ 22,107</u>

14. EMPLOYEE RETIREMENT PLANS

SOU offers various retirement plans to qualified employees as described below.

A. Public Employees Retirement System (PERS)**Organization**

Southern Oregon University participates with other state agencies in the Oregon Public Employees Retirement System (System), which is a cost-sharing multiple employer defined benefit plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System.

Plan Membership

The 1995 Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. Membership prior to January 1, 1996 are Tier One members. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit, DB) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board.

Pension Plan Report

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State of Oregon Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes an audit opinion that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Summary of Significant Accounting Policies

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

Basis of Accounting

Contributions from employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month.

Proportionate Share Allocation Methodology for the Plan

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Collective Pension Plan Liability

The components of the Plan's collective net pension liability as of the measurement dates of June 30, 2019 and 2018 are as follows (dollars in millions):

	June 30, 2019	June 30, 2018
Total Pension Liability	\$ 87,501	\$ 84,476
Plan Fiduciary Net Position	70,204	69,327
Collective Net Pension Liability	<u>\$ 17,297</u>	<u>\$ 15,149</u>

Changes Subsequent to the Measurement Date

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. The University is unaware of any changes made subsequent to the measurement date of June 30, 2019.

Oregon PERS Pension (Chapter 238) Program**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided one or more of the following conditions are met:

- The member was employed by a PERS employer at the time of death.
- The member died within 120 days after termination of PERS-covered employment.
- The member died as a result of injury sustained while employed in a PERS-covered job.
- The member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

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

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

Oregon Public Service Retirement Plan (OPSRP DB) Pension Program**Pension Benefits**

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through COLAs. The cap on the COLAs will vary based on 1.25 percent on the first \$60 of annual benefit and 0.15 percent on annual benefits above \$60.

Oregon Public Service Retirement Plan (OPSRP IAP) Pension Program

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Pension Plan Contributions

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Employer contribution rates for the fiscal year ended June 30, 2020 was based on the December 31, 2017 actuarial valuation. Employer contribution rates for the fiscal year ended June 30, 2019 was based on the December 31, 2015 actuarial valuation as subsequently modified by the *Moro* decision. The employer contribution rates for the PERS and OPSRP are as follows:

	2020	2019
Base PERS Tier One/Two Rate	19.05%	15.09%
SLGRP Rate	1.71%	1.76%
RHIA/RHIPA OPEB Rate	0.45%	0.99%
Total PERS Tier One/Two Rate	21.21%	17.84%
Base OPSRP Rate	12.77%	8.21%
SLGRP Rate	1.71%	1.76%
RHIA/RHIPA OPEB Rate	0.27%	0.81%
Total OPSRP Rate	14.75%	10.78%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2020 and June 30, 2019 were \$4,390 and \$3,550, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability. See "Note 9.D. State and Local Government Rate Pool" for additional information.

Net Pension Liability

At June 30, 2020, the University reported a liability of \$34,506 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. At June 30, 2019, the University reported a liability of \$32,662 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies, which includes all state agencies. The State of Oregon Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2020, SOU's proportion was 0.20 percent of the statewide pension plan. At June 30, 2019, SOU's proportion was 0.22 percent of the statewide pension plan.

For the years ended June 30, 2020 and 2019, SOU recorded total pension expense of \$8,401 and \$6,411, respectively, due to the increase in net pension liability and changes to deferred inflows and deferred outflows.

Deferred Items

Certain deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For fiscal years ending June 30, 2020 and 2019, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual earnings

- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions
- Contributions subsequent to the measurement date

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2019 – 5.2 years
 Measurement period ended June 30, 2018 – 5.2 years
 Measurement period ended June 30, 2017 – 5.3 years
 Measurement period ended June 30, 2016 – 5.3 years
 Measurement period ended June 30, 2015 – 5.4 years
 Measurement period ended June 30, 2014 – 5.6 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total pension expense for fiscal years 2020 and 2019.

At June 30, 2020, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,903	\$ -
Changes in assumptions	4,681	-
Net difference between projected and actual earnings on pension plan investments	-	978
Changes in proportion and differences between System's contributions and proportionate share of contributions	1,503	3,024
Total	\$ 8,087	\$ 4,002
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	4,085	
Contributions Subsequent to the MD	3,745	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	\$ 7,830	

Of the amount reported as deferred outflows of resources, \$3,745 are related to pensions resulting from SOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

At June 30, 2019, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,111	\$ -
Changes in assumptions	7,594	-
Net difference between projected and actual earnings on pension plan investments	-	1,450
Changes in proportion and differences between System's contributions and proportionate share of contributions	2,164	1,586
Total	<u>\$ 10,869</u>	<u>\$ 3,036</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	7,833	
Contributions Subsequent to the MD	2,809	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 10,642</u>	

Of the amount reported as deferred outflows of resources, \$2,809 are related to pensions resulting from SOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

As of June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2021	\$ 2,986
2022	243
2023	572
2024	319
2025	(35)
	<u>\$ 4,085</u>

Actuarial Methods and Assumptions

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

Actuarial Methods:		
As of:	June 30, 2020	June 30, 2019
Valuation Date	December 31, 2017	December 31, 2016
Measurement Date	June 30, 2019	June 30, 2018
Experience Study Report	2016, published July 2017	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service	
Mortality	<i>Healthy retirees and beneficiaries:</i>	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	
	<i>Active members:</i>	
	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	
	<i>Disabled retirees:</i>	
	RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability at both June 30, 2020 and June 30, 2019 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following tables present SOU's proportionate share of the net pension liability calculated using the applicable discount rates as of June 30, 2020 and 2019, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

As of:	June 30, 2020	June 30, 2019
1 % Decrease 6.20%	\$ 55,258	\$ 54,584
Current Discount Rate 7.20%	34,506	32,662
1 % Increase 8.20%	17,139	14,567

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	12.50	12.50
Opportunity Portfolio	0.00	3.00	0.00
Total			100.00 %

Depletion Date Projection

GASB No. 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB No. 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses. As such, the long-term expected rate of return was used to discount the liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation – Mean		2.50%

BOND DEBT

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 periodically over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal year 2020 was 6.20 percent through October 31, 2019. The 2020 rate was decreased to 5.60 percent effective November 1, 2019. The assessment rate for fiscal year 2019 was 6.20 percent. Payroll assessments for the fiscal years ended June 30, 2020 and 2019 were \$1,480 and \$1,630, respectively.

B. OTHER RETIREMENT PLANS

Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation that authorized SOU 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 named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to University academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of two investment companies, either Fidelity or the Teacher's Insurance Annuity Association (TIAA).

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer. There is no employee contribution rate for Tier Four.

The employer contribution rates for the ORP are as follows:

	2020	2019
Tier One/Two	27.20%	23.68%
Tier Three	9.85%	9.29%
Tier Four	8.00%	8.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Oregon Public Universities 401(a) Defined Contribution Plan

Eligible ranked faculty participate in the Teacher's Insurance and Annuity Association (TIAA) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee and employer contributions are directed to PERS on the first forty-eight hundred dollars. The contribution to TIAA annuities are supplemental to PERS. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996. The legacy plan, Oregon University System 401(a) Defined Contribution Plan, document was amended and restated July 1, 2015 and the Plan Sponsor is now the Board of Trustees for the University of Oregon.

Summary of Defined Contribution Pension Payments

SOU total payroll for the year ended June 30, 2020 was \$42,096, of which \$10,987 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

June 30, 2020				
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 1,212	11.03%	\$ 617	5.62%
TIAA	3	0.03%	3	0.03%
Total	\$ 1,215	11.06%	\$ 620	5.64%

Of the employee share, SOU paid \$536 of the ORP and \$3 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2020.

SOU total payroll for the year ended June 30, 2019 was \$41,801, of which \$10,319 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

June 30, 2019				
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 1,170	11.33%	\$ 602	5.83%
TIAA	8	0.08%	8	0.08%
Total	\$ 1,178	11.41%	\$ 610	5.91%

Of the employee share, SOU paid \$537 of the ORP and \$8 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2019.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Public Employees Retirement System (PERS)

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of eligible PERS members. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA).

Only Tier One and Tier Two PERS members are eligible to participate in the RHIA and RHIPA plans. (Refer to "Note 14. Employee Retirement Plans" for details concerning Tier One and Tier Two membership in PERS.)

The RHIA is a cost-sharing multiple-employer defined benefit OPEB plan in which the university participates. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

Established under ORS 238.415, the RHIPA is considered a cost-sharing multiple-employer defined benefit OPEB plan for financial reporting purposes. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established PERS membership prior to that date.

OPEB Plans Report

The PERS RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State's Comprehensive Annual Financial Report. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Summary of Significant Accounting Policies

Employers participating in PERS are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Basis of Accounting

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers.

OPEB Plan (Asset)/Liability

The components of the PERS Net OPEB liability (asset) for the OPEB plans as of the measurement date of June 30, 2019 and June 30, 2018, respectively, are as follows (in millions):

	June 30, 2019	June 30, 2018
Net OPEB - RHIA (Asset)		
Total OPEB - RHIA Liability	\$ 435.6	\$ 465.2
Plan Fiduciary Net Position	628.9	576.8
Employer's Net OPEB - RHIA (Asset)	\$ (193.3)	\$ (111.6)
Net OPEB - RHIPA Liability		
Total OPEB - RHIPA Liability	\$ 72.0	\$ 70.3
Plan Fiduciary Net Position	46.7	35.0
Employer's Net OPEB - RHIPA Liability	\$ 25.3	\$ 35.3

Changes Subsequent to the Measurement Date

The passage of the Further Consolidated Appropriations Act (HR 1865), which became law in December 2019, has the potential to decrease future projected RHIPA Net OPEB Liability. The Act repealed the "Cadillac tax" on high cost health plans and removed the Health Insurer Fee permanently beginning in 2021. These legislative changes will have no impact on RHIA, but have the potential to reduce the RHIPA Net OPEB Liability by \$1 million to \$2 million.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	32.50	42.50	37.50
Private Equity	9.50	15.50	12.50
Real Estate	14.00	21.00	17.50
Alternative Investments	0.00	12.50	12.50
Opportunity Portfolio	0.00	3.00	0.00
Total			100 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50%

Depletion Date Projection

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 75 (paragraph 39) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an actuarially determined contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses. As such, the long-term expected return was used to discount the liability.

i. RHIA Contributions

The RHIA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2020 and June 30, 2019, the University contributed 0.06 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, the University contributes 0.00 and 0.43 percent for the years ended June 30, 2020 and 2019, respectively, of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years.

The required employer contribution was approximately \$6 for the year ended June 30, 2020 and \$121 for the year ended June 30, 2019. The actual contribution equaled the annual required contribution for both fiscal years.

Net OPEB Asset

At June 30, 2020, the University reported an asset of \$488 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. At June 30, 2019, the University reported an asset of \$263 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. The state Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2020 and June 30, 2019, respectively, SOU's proportion was 0.25 and 0.24 percent of the statewide OPEB plan.

For the years ended June 30, 2020 and June 30, 2019, SOU recorded total OPEB expense of \$(64) and \$(20), respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement period ended June 30, 2020, there were:

- A difference between expected and actual experience
- A difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- A difference between projected and actual earnings
- A difference between employer contributions and proportionate share of contributions
- Contributions subsequent to the measurement date

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2019 – 3.1 years
 Measurement period ended June 30, 2018 – 3.3 years
 Measurement period ended June 30, 2017 – 3.7 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2020 and 2019.

At June 30, 2020, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 64
Changes in assumptions		1
Net difference between projected and actual earnings on pension plan investments	-	30
Change in proportionate share	4	9
Difference between contributions and proportionate share of contributions	1	4
Total	<u>\$ 5</u>	<u>\$ 108</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(103)	
Contributions Subsequent to the MD	<u>6</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ (97)</u>	

Of the amount reported as deferred outflows of resources, \$121 were related to contributions subsequent to the measurement date and were recognized as an increase of the net OPEB asset in the year ended June 30, 2020.

As of June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2021	\$ (51)
2022	(49)
2023	(6)
2024	3
	<u>\$ (103)</u>

Of the amount reported as deferred outflows of resources, \$6 are related to contributions subsequent to the measurement date and will be recognized as an increase of the net OPEB asset in the year ended June 30, 2021.

At June 30, 2019, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15
Changes in assumptions	-	1
Net difference between projected and actual earnings on pension plan investments	-	57
Change in proportionate share	9	-
Difference between contributions and proportionate share of contributions	3	2
Total	<u>\$ 12</u>	<u>\$ 75</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(63)	
Contributions Subsequent to the MD	<u>121</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 58</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Actuarial Methods and Assumptions:		
	RHIA	
	June 30, 2020	June 30, 2019
Valuation Date	December 31, 2017	December 31, 2016
Measurement Date	June 30, 2019	June 30, 2018
Experience Study Report	2016, published July 2017	
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 35%; Disabled retirees: 20%	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare Cost Trend Rate	Not applicable	
Mortality	Healthy retirees and beneficiaries:	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	Active members:	
	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees:	
	RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

Discount Rate

The discount rate used to measure the total OPEB liability at both June 30, 2020 and June 30, 2019 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability calculated using the applicable discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2020	June 30, 2019
1% Decrease 6.2%	\$ (378)	\$ (153)
Current Discount Rate 7.2%	(488)	(263)
1% Increase 8.2%	(582)	(357)

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Health Care Cost Rate	June 30, 2020	June 30, 2019
1% Decrease	\$ (488)	\$ (263)
Current Trend Rate	(488)	(263)
1% Increase	(488)	(263)

ii. RHIPA

Contributions

The RHIPA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2020 and June 30, 2019, the University contributed 0.12 and 0.11 percent, respectively, of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the University contributed 0.27 and 0.38 percent for the fiscal years ended June 30, 2020 and 2019, respectively, of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution was approximately \$82 for the year ended June 30, 2020 and \$111 for the year ended June 30, 2019. The actual contribution equaled the annual required contribution for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Net OPEB Liability

At June 30, 2020, the University reported a liability of \$205 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. At June 30, 2019, the University reported a liability of \$285 for its proportionate share of the PERS RHIPA net OPEB liability. The net OPEB liability as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. DAS calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At both June 30, 2020 and June 30, 2019, SOU's proportion was 0.81 percent of the statewide OPEB plan.

For the year ended June 30, 2020 and June 30, 2019, respectively, SOU recorded total OPEB expense of \$37 and \$44 due to the increase in the net RHIPA OPEB liability, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement period ended June 30, 2020, there were:

- A difference between expected and actual experience
- A difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- A net difference between projected and actual earnings
- A difference between employer contributions and proportionate share of contributions

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2019 – 6.7 years

Measurement period ended June 30, 2018 – 6.9 years

Measurement period ended June 30, 2017 – 7.2 years

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2020 and 2019.

At June 30, 2020, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19
Changes in assumptions	3	-
Net difference between projected and actual earnings on pension plan investments	-	1
Change in proportionate share	44	3
Difference between contributions and proportionate share of contributions	1	2
Total	\$ 48	\$ 25
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	23	
Contributions Subsequent to the MD	82	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	\$ 105	

Of the amount reported as deferred outflows of resources, \$82 are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

At June 30, 2019, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21
Changes in assumptions	3	-
Net difference between projected and actual earnings on pension plan investments	-	5
Change in proportionate share	53	5
Difference between contributions and proportionate share of contributions	1	-
Total	\$ 57	\$ 31
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	26	
Contributions Subsequent to the MD	111	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	\$ 137	

Of the amount reported as deferred outflows of resources, \$111 are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

As of June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB will be recognized in OPEB expense as follows:

Deferred Outflow/(Inflow) of Resources		
Year Ended June 30:		
2021	\$	5
2022		5
2023		7
2024		7
2025		(1)
Thereafter		-
	\$	23

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Actuarial Methods and Assumptions:		
	RHIPA	
	June 30, 2020	June 30, 2019
Valuation Date	December 31, 2017	December 31, 2016
Measurement Date	June 30, 2019	June 30, 2018
Experience Study Report	2016, published July 2017	
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service	Healthy retirees: 38%; Disabled Retirees: 20%
Healthcare Cost Trend Rate	Applied at beginning of plan year, starting with 7.5% for 2017, decreasing to 5.2% for 2024, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2% for 2093 and beyond.	Applied at beginning of plan year, starting with 6.5% for 2018, decreasing to 5.9% for 2019, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2% for 2093 and beyond.
Mortality	Healthy retirees and beneficiaries:	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation	
	Active members:	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	
	Disabled retirees:	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale.	

Discount Rate

The discount rate used to measure the total OPEB liability at both June 30, 2020 and June 30, 2019 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability (asset) calculated using the applicable discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2020	June 30, 2019
1% Decrease 6.2%	\$ 244	\$ 319
Current Discount Rate 7.2%	205	285
1% Increase 8.2%	169	245

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Health Care Cost Rate	June 30, 2020	June 30, 2019
1% Decrease	\$ 154	\$ 231
Current Trend Rate	205	285
1% Increase	262	338

B. Public Employees' Benefit Board (PEBB)

Plan Description

SOU participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes (ORS) gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a cost-sharing multiple-employer plan for financial reporting purposes and has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy".

Summary of Significant Accounting Policies

Employers participating in PEBB are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual contributions made during the fiscal year with the total actual contributions made in the fiscal year of all employers.

Total OPEB Liability

At June 30, 2020, the University reported a liability of \$1,539 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2020 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University reported a liability of \$1,685 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2019 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. PEBB does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PEBB participating employers. DAS calculated SOU's proportionate share of all participating employers internally based on actual contributions by SOU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At both June 30, 2020 and June 30, 2019, SOU's proportion was 1.05 percent of participating employers.

For the years ended June 30, 2020 and June 30, 2019, SOU recorded total OPEB expense of \$133 and \$149, respectively, due to the increase in the total PEBB OPEB liability, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Deferred inflows of resources and deferred outflows of resources are either calculated at the system-wide level, and allocated to employers based on their proportionate share. For the measurement period ended June 30, 2020, there were:

- Difference between expected and actual experience
- Difference due to changes in assumptions
- Difference between employer contributions and the proportionate share of contributions.
- Changes in employer proportion since the prior measurement date

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers"

attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of each measurement periods are as follows:

Measurement period ended June 30, 2020 – 8.6 years

Measurement period ended June 30, 2019 – 8.2 years

Measurement period ended June 30, 2018 – 8.2 years

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2020 and 2019.

At June 30, 2020, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7
Changes in assumptions	39	226
Change in proportionate share	6	61
Difference between contributions and proportionate share of contributions	3	-
Total	<u>\$ 48</u>	<u>\$ 294</u>
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ (246)</u>	

At June 30, 2019, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 46	\$ 29
Changes in proportionate share	-	70
Total	<u>\$ 46</u>	<u>\$ 99</u>
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ (53)</u>	

As of June 30, 2020, amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2021	(35)
2022	(35)
2023	(35)
2024	(35)
2025	(34)
Thereafter	(72)
	<u>\$ (246)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions:		
Valuation Date	July 1, 2019	July 1, 2017
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation Rate	2.50 percent	2.50 percent
Discount Rate	2.21 percent	3.50 percent
Projected Salary Increases	3.50 percent	3.50 percent
Withdrawal, retirement, and mortality rates	December 31, 2018 Oregon PERS valuation	December 31, 2016 Oregon PERS valuation
Healthcare Cost Trend Rate	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.40% per year.	<i>Medical and vision cost increases:</i> 0.80% in the first year; 5.10% in the second year; 5.30% in the third year; varying from 6.20% to 4.20% over the remainder of the projection period <i>Dental cost changes:</i> decrease 1.10% in the first year; increase 3.10% in the second year; increase 4.00% per year thereafter
Election and lapse rates	30% of eligible employees 60% spouse coverage for males, 35% for females 7% annual lapse rate	30% of eligible employees 60% spouse coverage for males, 35% for females 7% annual lapse rate

Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rate in effect for the June 30, 2020 and 2019 reporting date is 2.21 and 3.50 percent, respectively.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the applicable discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2020	June 30, 2019
1% Decrease 1.21% / 2.50%	\$ 1,650	\$ 1,833
Current Discount Rate 2.21% / 3.5%	1,539	1,685
1% Increase 3.21% / 4.5%	1,435	1,548

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Healthcare Cost Rate	June 30, 2020	June 30, 2019
1% Decrease	\$ 1,385	\$ 1,468
Current Trend Rate	1,539	1,685
1% Increase	1,721	1,945

16. RISK FINANCING

SOU is a member of the Public Universities Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the member universities (Member). The Trust is governed by a Board of Trustees comprised of a representative of each Member of the Trust. The Trustees administer an insurance program wherein the Members share risk by pooling their losses and claims and jointly purchasing insurance and administrative services through the Trust. In exchange, Members pay annual assessments and provide the Trustees with information or assistance as necessary for the Trustees to determine annual assessments and to purchase insurance or reinsurance. By participating, SOU transfers the following risk to the Trust:

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

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

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

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately \$18,089 and \$22,457 at June 30, 2020 and 2019, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other SOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (DOLLARS IN THOUSANDS)

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2020

	Total Commitment	Completed to Date	Outstanding Commitment
Britt Hall	\$ 4,718	\$ 1,298	\$ 3,420
Capital Repair	9,299	2,337	6,962
Central Hall	6,000	-	6,000
Lithia Pavilion	2,502	795	1,707
	<u>\$ 22,519</u>	<u>\$ 4,430</u>	<u>\$ 18,089</u>

SOU 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.

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. SOU 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 SOU cannot be reasonably determined at June 30, 2020.

RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to SOU, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes SOU is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

18. SUBSEQUENT EVENTS

DEBT REFUNDING

In July 2020, the State issued \$680 of Series 2020N XI-F(1) Tax Exempt bonds and \$13,750 of Series 2020O XI-F(1) Taxable bonds on behalf of SOU for the refunding of previously held debt. The bonds have an effective rate of 1.94 percent, and are due serially through 2044. The refunding of previously held debt will ultimately save the University \$2,792 over the next 24 years. Savings were front loaded by the State in order to assist the University with cash flow and liquidity during uncertain times in light of the Coronavirus pandemic.

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 SOU. The SOU Foundation (Foundation) is a legally separate, tax-exempt entity with an independent governing board. Although SOU 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 SOU and is discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2020 and 2019.

During the years ended June 30, 2020 and 2019, gifts of \$3,147 and \$2,748, respectively, were transferred from the Foundation to SOU. The Foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the SOU component unit on pages 24-25 of this document.

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

- *Southern Oregon University Foundation, 1250 Siskiyou Blvd., Ashland, OR 97520*

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S CONTRIBUTIONS* Public Employees Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 3,745	\$ 2,809	\$ 2,792	\$ 2,006	\$ 1,988	\$ 1,587	\$ 1,705	\$ 1,671	\$ 1,615
Contributions in relation to the contractually required contribution	3,745	2,809	2,792	2,006	1,988	1,587	1,705	1,671	1,615
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SOU's covered payroll	\$ 26,358	\$ 26,476	\$ 25,636	\$ 24,855	\$ 23,605	\$ 22,474	\$ 22,980	\$ 23,029	\$ 22,465
Contributions as a percentage of covered payroll	14.2%	10.6%	10.9%	8.1%	8.4%	7.1%	7.4%	7.3%	7.2%

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/ LIABILITY* Public Employees Retirement System

As of the Measurement Date June 30,	2019	2018	2017	2016	2015	2014	2013
SOU's proportion of the net pension asset / (liability)	0.20%	0.22%	0.22%	0.18%	0.20%	0.21%	0.21%
SOU's proportionate share of the net pension asset/ (liability)	\$ (34,506)	\$ (32,662)	\$ (30,120)	\$ (27,369)	\$ (11,423)	\$ 4,707	\$ (10,597)
SOU's covered payroll	\$ 26,476	\$ 25,636	\$ 24,855	\$ 23,605	\$ 22,474	\$ 22,980	\$ 23,029
SOU's proportionate share of the net pension asset/ (liability) as a percentage of its covered payroll	130.33%	127.41%	121.18%	115.95%	50.83%	20.48%	46.02%
Plan fiduciary net position as a percentage of the total pension asset/ (liability)	80.23%	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE TOTAL PEBB OPEB LIABILITY*

As of June 30,	2020	2019	2018	2017
SOU's allocation of the total OPEB liability	1.05%	1.05%	1.09%	1.10%
SOU's proportionate share of the total OPEB liability	\$ 1,539	\$ 1,685	\$ 1,618	\$ 1,593
SOU's covered payroll	34,326	33,666	33,266	32,056
SOU's proportionate share of the total OPEB liability as a percentage of its covered payroll	4.48%	5.01%	4.86%	4.97%

*Eventually, these tables will include data for 10 years. Only the data shown above is available at this time.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions ¹	\$ 6	\$ 121	\$ 117	\$ 121	\$ 115	\$ 122	\$ 126	\$ 125	\$ 123	\$ 47
Contributions in relation to the actuarially determined contributions	6	121	117	121	115	122	126	125	123	47
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 26,358	\$ 26,471	\$ 25,632	\$ 24,850	\$ 23,600	\$ 22,469	\$ 22,987	\$ 22,535	\$ 21,962	\$ 18,443
Contributions as a percentage of covered payroll	0.02%	0.46%	0.46%	0.49%	0.49%	0.54%	0.55%	0.55%	0.56%	0.25%

¹For Actuarial Assumptions and Methods, see table in Note 16

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE NET PERS RHIA OPEB LIABILITY/(ASSET)*

As of the Measurement Date of June 30,	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.25%	0.24%	0.25%	0.20%
SOU's proportionate share of the net OPEB liability/(asset)	\$ (488)	\$ (263)	\$ (105)	\$ 54
SOU's covered payroll	\$ 26,471	\$ 25,632	\$ 24,850	\$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	1.84%	1.03%	0.42%	0.23%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	144.38%	123.99%	108.88%	94.15%

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions ¹	\$ 82	\$ 111	\$ 109	\$ 97	\$ 93	\$ 53	\$ 55	\$ 32	\$ 31	\$ 11
Contributions in relation to the actuarially determined contributions	82	111	109	97	93	53	55	32	31	11
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 26,358	\$ 26,471	\$ 25,632	\$ 24,850	\$ 23,600	\$ 22,469	\$ 22,987	\$ 22,535	\$ 21,962	\$ 18,443
Contributions as a percentage of covered payroll	0.31%	0.42%	0.43%	0.39%	0.39%	0.24%	0.24%	0.14%	0.14%	0.06%

¹For Actuarial Assumptions and Methods, see table in Note 16

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE NET PERS RHIPA OPEB LIABILITY/(ASSET)*

As of the Measurement Date June 30,	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.81%	0.81%	0.82%	0.68%
SOU's proportionate share of the net OPEB liability/(asset)	\$ 205	\$ 285	\$ 381	\$ 365
SOU's covered payroll	\$ 26,471	\$ 25,632	\$ 24,850	\$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	0.77%	1.11%	1.53%	1.55%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	64.86%	49.79%	34.25%	21.87%

*Eventually, these tables will include data for 10 years. Only the data shown above is available at this time.





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

Greg Perkinson
Vice President for Finance and Administration
Southern Oregon University
1250 Siskiyou Blvd.
Ashland, OR 97520
541-552-7672



Office of the President
1250 Siskiyou Boulevard
Ashland, Oregon 97520
541-552-7672
www.sou.edu

