

# Oregon State University

## 2019 Annual Financial Report



**Oregon State**  
University



## Table of Contents

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Board of Trustees and Executive Officers .....	1
Message from the President .....	4
Independent Auditors' Report .....	6
Management's Discussion and Analysis .....	8
Statements of Net Position — University .....	20
Statements of Financial Position — Component Units.....	21
Statements of Revenues, Expenses and Changes in Net Position — University .....	22
Statements of Activities — Component Units .....	23
Statements of Cash Flows — University .....	24
Notes to the Financial Statements .....	26
Required Supplementary Information .....	66



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(effective as of June 30, 2019)

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Michael G. Thorne	Pendleton, Oregon
Edward J. Ray (ex officio, nonvoting)	Corvallis, Oregon
Debbie Colbert, Secretary	Corvallis, Oregon

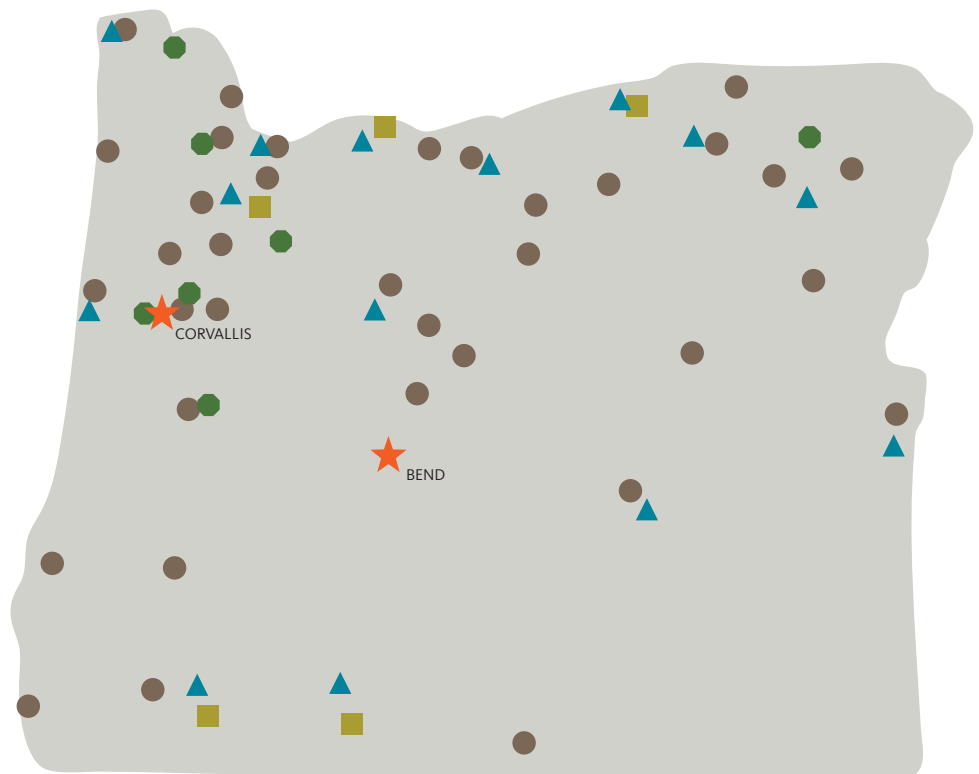
**Executive Officers**  
(effective as of June 30, 2019)

<b>Edward J. Ray</b> <i>President</i>
<b>Edward Feser</b> <i>Provost and Executive Vice President</i>
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<b>Patricia Snopkowski</b> <i>Chief Audit Executive</i>



## OREGON'S STATEWIDE UNIVERSITY

Oregon State University is a comprehensive, internationally recognized public research university. OSU serves as the state of Oregon's land, sea, space and sun grant university and is one of only two in the nation with all designations. Its programs are located in every county in Oregon, and its faculty are dedicated to providing solutions for the state and world's greatest challenges. OSU considers the entire state of Oregon as its campus and works in partnership with many school districts, all of Oregon's 17 community colleges and numerous public and private universities and colleges to provide access to high-quality education. Meanwhile, strong collaborations with industry — as well as state and federal agencies — help contribute to the success of the university's research enterprise.



- OSU Extension Service Locations (35)
- OSU Research and Extension Centers (5)
- ★ OSU Campuses (2)
- ▲ Oregon Agricultural Experiment Station Sites (14)
- Forest Research Laboratory Sites (7)



## MISSION

As a land grant institution committed to teaching, research, and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world. We accomplish this by:

- Producing skilled graduates who are critical thinkers.
- Searching actively for new knowledge and solutions.
- Developing the next generation of scholars.
- Collaborating with communities in Oregon and around the world.
- Maintaining a rigorous focus on academic excellence, particularly in three signature areas: the science of sustainable Earth ecosystems, health and wellness, and economic prosperity and social progress.

## VISION

Leadership among land grant universities in the integrated creation, sharing and application of knowledge for the betterment of human kind. In this way, we produce graduates, scholarship and solutions that achieve maximum positive impact on humanity's greatest challenges.

## GOALS

Strategic Plan 4.0 expands Oregon State's strategic goals to focus on:

1. Preeminence in research, scholarship, and innovation.
2. Transformative education that is accessible to all learners.
3. Significant and visible impact in Oregon and beyond.
4. A culture of belonging, collaboration and innovation.

View OSU's Strategic Plan at:

[leadership.oregonstate.edu/strategic-plan](https://leadership.oregonstate.edu/strategic-plan)

## Message from President Edward J. Ray



As Oregon State University begins its next 150 years of service, the university continues to demonstrate far-reaching impact in Oregon, across the nation and around the world. I am pleased to report again this year that the institution's financial foundation remains strong.

At the forefront of excellence, leadership and innovation, OSU continues to serve as Oregon's leading comprehensive university and is an internationally recognized public research university.

The university's achievements occur on many fronts. Our College of Forestry is ranked No. 2 in the world, and our oceanography program No. 3 globally. U.S. News and World Report ranked Oregon State's Ecampus online bachelor's programs No. 3 in the country and this fall declared that OSU is the most innovative university in the Pacific Northwest and 33rd most innovative university in the nation. Our research enterprise excels, garnering \$440 million in research funding in Fiscal Year 2019. Oregon State researchers address some of the world's most pressing problems — from advances in cancer treatment to feeding the world's growing population to addressing the causes of climate change.

The OSU Foundation celebrated the second best year in the university's fundraising history last year with gifts totaling \$144.5 million. This includes \$28.5 million raised in one year for the university's Student Success Initiative, exceeding a \$25 million goal for the year. In one year, donors funded approximately 70 new scholarship and fellowship funds and five new endowed positions, in addition to providing philanthropy that will advance projects and programs across the university. Several colleges and units will benefit from record-breaking philanthropic giving. For example, the colleges of Agricultural Sciences and Earth, Ocean, and Atmospheric Sciences had their best fundraising year ever with the colleges of Engineering, and Liberal Arts, as well as Athletics, posting their second highest totals.

## POINTS of PRIDE

### **No. 3** BEST ONLINE BACHELOR'S PROGRAM IN THE NATION

Oregon State Ecampus has been ranked as one of the Best Online Bachelor's Programs for five consecutive years — as a result of its high graduation rates, low graduate debt and strong student support. (U.S. News & World Report)

### **No. 2** IN THE WORLD FOR FORESTRY

### **No. 3** IN THE WORLD FOR OCEANOGRAPHY

Oregon State faculty are among the most frequently published in top-tier scientific journals, earning a global reputation for groundbreaking research that impacts the environment and the economy. (Center for World University Rankings)

For the fifth consecutive year, OSU was the largest university in the state with more than 32,000 students enrolled for the 2018-19 academic year. True to our land grant mission, enrollment of Oregon residents remains strong, and the growth in the number of Oregon students at OSU accounted for nearly all of the growth of resident Oregonian students within the state's public universities last year. With regard to enrollment management, we are following a forecast that calls for up to 28,000 students to be enrolled at our Corvallis campus; 3,000 students at our OSU-Cascades campus in Bend; up to 500 students annually engaged in marine studies at our Hatfield Marine Sciences Center in Newport; and 7,000 or more degree-seeking students enrolled online through Ecampus. Additionally, in fall 2018, Oregon State began offering classes and programs to Portland-area residents and opened its new OSU Portland Center in the historic downtown Meier & Frank Building.

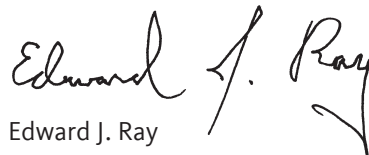
College affordability remains a top priority for our Board of Trustees, OSU administrators, students and their families. As part of our Student Success Initiative, we are working diligently to ensure that an OSU degree is an affordable reality for all qualified Oregonians. Of those students who entered OSU as true freshmen in 2015 and graduated last June, 46.5% graduated with no debt compared to a national average of 34%. Those who graduated with debt, had average debt of \$22,000 compared to \$29,000 nationally.

OSU continues to develop four-year degree programs at OSU-Cascades, which is preparing for construction of its second academic building as part of plans for an expanded campus footprint. This campus serves students who want to remain in Central Oregon and attend a four-year college. It also provides other resident Oregonians, out-of-state and international students with a high-quality OSU education in a unique small-campus setting.

The university is following a 10-year plan to address building renewals and improvements on its Corvallis campus and within the university's 14 experiment stations that are located throughout Oregon. Through a combination of university operational funds and bonds, state bonds and donor contributions, this strategy will result in a reduction of the university's backlog of deferred maintenance costs by 25 percent over the next decade.

Oregon State continues its strong commitment to responsible financial management and utilizes a long-range business forecast, composed of a 10-year capital forecast and a 10-year operational forecast aligned with OSU's strategic plan, to help guide the university.

As Oregon's statewide university, we will work to achieve even more for our students and all those we serve in the coming year.



Edward J. Ray

## **No. 1** MID-CAREER SALARY OF ALL PUBLIC SCHOOLS IN OREGON

Oregon State graduates earn a median salary of \$101,300 at mid-career, the most of any public university in the state.

(Pay Scale)

## **No. 3** BEST 100 PLACES TO LIVE

## **No. 5** TOP 10 BEST COLLEGE TOWNS

Corvallis consistently ranks among the nation's top college towns in multiple surveys, cited for innovation, sustainability, entertainment and affordability. (Livability.com)

## **No. 10** GREENEST UNIVERSITY

Oregon State is nationally recognized for its top-ranked programs in sustainability fields, including forestry, wildlife management, zoology, conservation biology, agricultural sciences and nuclear engineering. (BestColleges.com)

## **BICYCLE GOLD**

Oregon State is known for bike-friendly amenities and encouraging bicycling as an easy, healthy transportation option. (League of American Bicyclists)



## INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees  
Oregon State University  
Corvallis, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Oregon State University (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2019 and 2018, 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 2019 and 2018 financial statements of the aggregate discretely presented component units, the Oregon State University Foundation and the Agricultural Research Foundation, which represent 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon State University Foundation and the Agricultural Research Foundation is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the 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 and aggregate discretely presented component units of the Oregon State University as of June 30, 2019 and 2018, and the respective changes in finan-



cial 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, 2019, the University adopted GASB Statement No. 83, *Asset Retirement Obligations*. As a result of the implementation of this standard, the University reported a restatement for the change in accounting principle (see Note 1 to the financial statements) as of July 1, 2017. Our auditors' opinion was not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the University's contributions to pension and Other Postemployment Benefit (OPEB) plans, and schedules of the University's proportionate share of pension and OPEB plans as listed in the table of contents (collectively referred to 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 are 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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 University'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 University's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

### **CliftonLarsonAllen LLP**

Denver, Colorado  
October 31, 2019



## Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Oregon State University (OSU) for the years ended June 30, 2019, 2018, and 2017. OSU is comprised of a main campus in Corvallis and a branch campus in Bend, along with the Hatfield Marine Science Center in Newport, Ecampus, and Extension Service, Agricultural Experiment Stations and Forest Research Laboratories throughout the state.

## Annual Full-Time Equivalent (FTE) Student Enrollment Summary

	2019	2018	2017	2016	2015
Corvallis	20,745	21,182	21,608	21,658	21,939
Cascades	810	767	709	650	600
Ecampus	6,659	6,271	5,513	4,731	4,089
Total	28,214	28,220	27,830	27,039	26,628

## Understanding the Financial Statements

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

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

**Statement of Net Position (SNP)** presents a snapshot of OSU's assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 OSU owes to vendors and bondholders, and OSU's net position, delineated based upon availability for future expenditures.

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

**Statement of Cash Flows (SCF)** provides information about OSU's sources and uses of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories of cash either provided or used by: operating activities, noncapital financing activities, capital and related financing activities and investing activities.

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

**Component Units**, comprised of two supporting foundations, are combined and reported separately in the OSU financial statements and in Note 2 Cash and Investments and Note 21 University Foundations.

The MD&A provides an objective analysis of OSU's financial activities based on currently known facts, decisions, and conditions. The analysis is about OSU as a whole and is not broken out by individual campuses, schools, colleges or divisions. The MD&A discusses the current and prior year results in comparison to the respective year's prior year. Due to rounding and presentation, summary numbers in the MD&A may differ slightly from those in the financial statement schedules. Unless otherwise stated, all years refer to the fiscal year ended June 30.

## Financial Summary

OSU maintained its solid financial condition and healthy operating performance during fiscal year 2019.

Total assets increased by \$169 million, or 10 percent, at the year's end. This increase was driven mostly by \$129 million and \$72 million increases in total cash and cash equivalents, and net capital assets, respectively. Investments decreased by \$35 million while the remaining asset categories increased by a net of \$3 million.

Deferred outflows increased by \$8 million, due mostly to an increase in deferred outflows related to the net pension liability.

Total liabilities increased by \$115 million, or 10 percent, during 2019 primarily due to the issuance of \$140 million in Revenue Bonds and a \$12 million increase in accounts payable and accrued liabilities. These increases were primarily offset by a \$15 million decrease in contracts payable to the state, and a \$25 million decrease in the university's line of credit.

Deferred inflows increased by \$27 million, due mostly to an increase in deferred inflows related to the net pension liability.

Total net position increased by \$35 million during fiscal year 2019 primarily due to a \$76 million increase in net investment in capital assets. Unrestricted net position decreased by \$38 million, which slightly offset the larger increase.

Total revenues increased by \$75 million, or 6 percent, in 2019 over 2018. This increase was widely distributed among most income categories and was led by increases in capital grants and gifts of \$26 million, government appropriations of \$11 million, educational and other revenue of \$14 million, investment activity of \$9 million, and student tuition and fees of \$7 million, with the remaining categories accounting for an additional net increase of \$8 million.

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

Operating expenses increased by \$42 million in 2019, or 4 percent, over 2018. This increase was spread among most categories and was led by increases in instruction of \$15 million, public service of \$14 million, other operating expense of \$11 million, and academic support of \$4 million. These increases were offset by slight decreases in student services, auxiliary programs, research, and student aid.

Beginning net position for 2017 and 2018 was restated and reduced due to the cumulative effect of the retroactive implementation of GASB Statement No. 83, *Asset Retirement Obligations*. See Note 10 Asset Retirement Obligations for more information.

### Statement of Net Position

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

The following chart summarizes OSU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (in millions):

### Condensed Statement of Net Position

As of June 30,	2019	2018	2017
Current Assets	\$ 380	\$ 231	\$ 196
Noncurrent Assets	260	312	230
Capital Assets, Net	1,255	1,183	1,127
Total Assets	\$ 1,895	\$ 1,726	\$ 1,553
Deferred Outflows of Resources	\$ 135	\$ 127	\$ 188
Current Liabilities	\$ 246	\$ 213	\$ 180
Noncurrent Liabilities	990	908	806
Total Liabilities	\$ 1,236	\$ 1,121	\$ 986
Deferred Inflows of Resources	\$ 34	\$ 7	\$ 3
Net Investment in Capital Assets	\$ 787	\$ 711	\$ 706
Restricted - Nonexpendable	5	6	5
Restricted - Expendable	67	69	86
Unrestricted	(99)	(61)	(45)
Total Net Position	\$ 760	\$ 725	\$ 752

### Total Assets and Deferred Outflows of Resources

Total assets increased by \$169 million, or 10 percent, during the year ended 2019 due primarily to an increase in cash and net capital assets, offset somewhat by a decrease in investments. Total assets increased by \$173 million, or 11 percent, during the year ended 2018 due to increases in all categories of assets except for a slight decrease in inventory.

### Comparison of fiscal year 2019 to fiscal year 2018

**Current Assets** increased by \$149 million, or 65 percent, primarily due to:

- Current cash and cash equivalents increased by \$145 million due primarily to a revenue bond sale and a portion of the proceeds being held for investment but not yet invested at year end.
- Accounts receivable increased by \$4 million. Increases in receivables related to federal grants and contracts, student tuition and fees and from the component units were somewhat offset by decreases in receivables for capital construction grants, auxiliaries, and state and other grants. See Note 3 Accounts Receivable for additional information.
- Prepaid expenses increased by \$3 million due primarily to an increase in general operations prepaid expenses.
- Current notes receivable decreased by \$1 million due primarily to a decrease in Perkins loans receivable. See Note 4 Notes Receivable for additional information.

**Noncurrent (Noncapital) Assets** decreased by \$52 million, or 17 percent.

- Noncurrent cash and cash equivalents decreased by \$15 million due primarily to a spend down of revenue bond cash for capital construction held from the previous year.
- Investments decreased by \$35 million due primarily to a decrease in cash available for general investments related to the timing of the investment of the revenue bond proceeds.
- Noncurrent notes receivable decreased by \$3 million primarily as the result of a decrease in Perkins loans receivable. See Note 4 for additional information.
- OPEB asset increased by \$2 million. See Note 17 Other Post-employment Benefits (OPEB) for additional information.

**Capital Assets, Net** increased by \$72 million, or 6 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

**Deferred Outflows of Resources** increased by \$8 million, or 6 percent.

- Deferred outflows related to the net pension liability increased by \$7 million.
- Deferred outflows related to the OPEB asset and liabilities increased by less than \$1 million.
- Deferred outflows related to the asset retirement obligation decreased by less than \$1 million.
- See Note 6 Deferred Outflows and Inflows of Resources for additional information.

### Comparison of fiscal year 2018 to fiscal year 2017

**Current Assets** increased by \$35 million, or 18 percent, primarily due to:

- Current cash and cash equivalents increased by \$15 million. Overall, higher cash balances in operating funds were offset by a slight increase in the proportion of cash that was transferred to investments in 2018, resulting in a net higher cash balance at year end.
- Accounts receivable increased by \$9 million. Increases in receivables related to federal grants and contracts, capital construction and auxiliary operations were only somewhat offset by decreases in receivables from the component units and other receivables. See Note 3 for additional information.
- Prepaid expenses increased by \$3 million due primarily to capital construction costs related to the OSU Portland Center remodel of the Meier and Frank building. OSU provided up-front funding for tenant improvements on the Meier and Frank building in downtown Portland, which it is leasing for expansion of the OSU Portland Center.

**Noncurrent (Noncapital) Assets** increased by \$82 million, or 36 percent.

- Noncurrent cash and cash equivalents increased by \$17 million due primarily to increased revenue bond cash held for construction at year end. Revenue bond cash from previous years' sales was transferred to construction projects prior to year end, but has not been spent down.
- Investments increased by \$63 million. Increased cash balances available for investment resulted in increased investments at year end.
- Noncurrent notes receivable increased by \$2 million primarily as the result of an increase in Perkins loans receivable and associated allowance for doubtful accounts. See Note 4 for additional information.

**Capital Assets, Net** increased by \$56 million, or 5 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

**Deferred Outflows of Resources** decreased by \$61 million, or 32 percent.

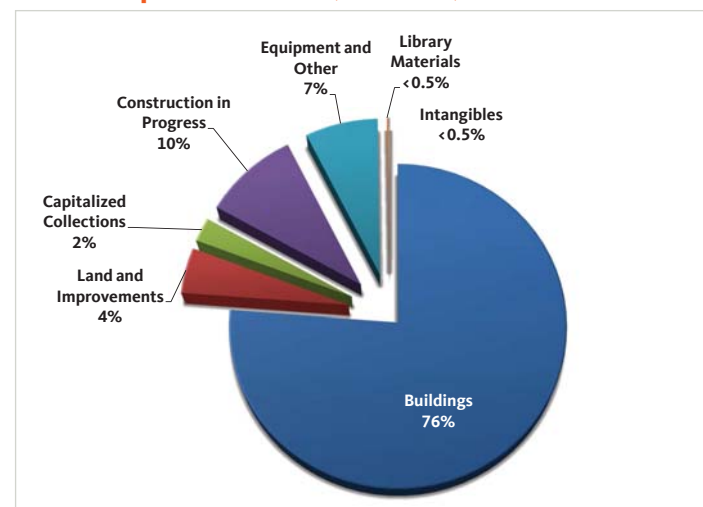
- Deferred outflows related to the net pension liability decreased by \$62 million.
- The implementation of GASB Statement No. 75 added \$2 million in deferred outflows related to the OPEB asset and liabilities.
- Deferred outflows related to the asset retirement obligation decreased by less than \$1 million.
- See Note 6 for additional information.

## Capital Assets and Related Financing Activities

### Capital Assets

At June 30, 2019, OSU had \$2.1 billion in capital assets, less accumulated depreciation of \$871 million, for net capital assets of \$1.3 billion. At June 30, 2018, OSU had \$2.0 billion in capital assets, less accumulated depreciation of \$821 million, for net capital assets of \$1.2 billion. OSU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing OSU's deferred maintenance backlog. State, federal, private, debt, and internal funding were all used to accomplish OSU's capital objectives.

### 2019 Capital Assets, Net \$1,255 Million



### Changes to Capital Assets

(in millions)

As of June 30,	2019	2018	2017
Capital Assets, Beginning of Year	\$ 2,004	\$ 1,900	\$ 1,802
Add: Purchases/Construction	133	113	111
Less: Retirements/Adjustments	(11)	(9)	(13)
<b>Total Capital Assets, End of Year</b>	<b>2,126</b>	2,004	1,900
Accum. Depreciation, Beginning of Year	(821)	(773)	(730)
Add: Depreciation Expense	(59)	(56)	(55)
Less: Retirements/Adjustments	9	8	12
<b>Total Accum. Depreciation, End of Year</b>	<b>(871)</b>	(821)	(773)
<b>Total Capital Assets, Net, End of Year</b>	<b>\$ 1,255</b>	\$ 1,183	\$ 1,127

Capital additions totaled \$133 million for 2019, \$113 million for 2018, and \$111 million for 2017.

During 2019, capital asset additions included \$98 million for construction in progress (CIP); \$19 million for equipment; \$11 million for buildings; and \$2 million for infrastructure. During 2018, capital asset additions included \$72 million for CIP; \$14 million for equipment; \$21 million for buildings; and \$3 million for infrastructure. During 2017, capital

asset additions included \$83 million for CIP; \$20 million for equipment; \$3 million for buildings; and \$2 million for land improvements.

Key projects still in progress at the end of 2019 include the Oregon Forestry Science Complex, Hatfield Marine Science Center Marine Studies Building, the Upper Level Undergraduate/Graduate Student Housing building, Finley Hall, and Magruder Hall.

During 2019, \$57 million in capital projects were completed and placed into service, including the Advanced Wood Products Laboratory, Gilbert Hall renovation, HP11 improvement, and Nypro Building renovation.

See Note 5 Capital Assets for additional information.

### Debt Administration

During 2019, long-term debt held by OSU increased by \$124 million, or 25 percent, from \$493 million to \$617 million.

- OSU issued an additional \$140 million (par value) of new Revenue Bonds earmarked for construction. The bonds were sold at par.
- OSU made debt service principal payments totalling \$15 million on outstanding long-term debt.
- OSU's remaining obligation for accreted interest and premiums on outstanding debt decreased by a net \$1 million.

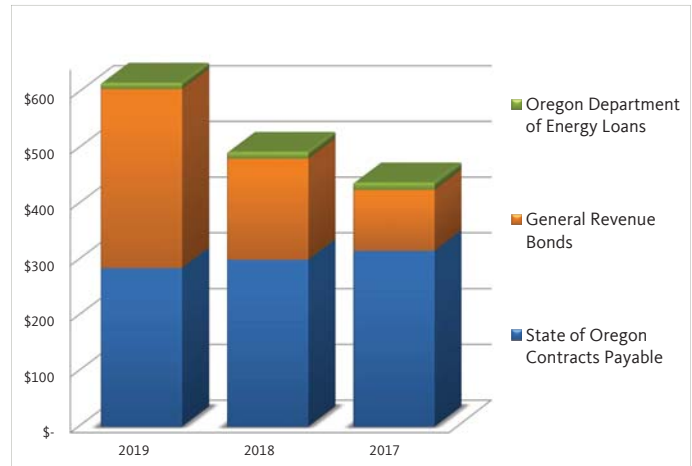
During 2018, long-term debt held by OSU increased by \$55 million, or 13 percent, from \$438 million to \$493 million.

- OSU issued an additional \$73 million (par value) of new Revenue Bonds earmarked for construction. The bonds were sold at par.
- OSU made debt service principal payments totalling \$16 million on outstanding long-term debt.
- OSU's remaining obligation for accreted interest and premiums on outstanding debt decreased by a net \$2 million.

See Note 9 Long-Term Liabilities for additional information.

### Long-term Debt

(in millions)



### Total Liabilities and Deferred Inflows of Resources

Total liabilities increased by \$115 million, or 10 percent, during 2019 primarily due to an increase in long-term liabilities related to the issuance of Revenue Bonds during 2019, an increase in accounts payable and accrued liabilities and an increase in the net pension liability. During 2018, total liabilities increased by \$135 million, or 14 percent, primarily due to an increase in long-term liabilities associated with the issuance of Revenue Bonds, a \$47 million increase in the line of credit liability, and the recording of a \$22 million Perkins loan program liability.

#### Comparison of fiscal year 2019 to fiscal year 2018

**Current Liabilities** increased by \$33 million, or 15 percent, primarily due to:

- Accounts payable and accrued liabilities increased by \$12 million. Increased services and supplies payable associated with grants and general operations, as well as increased capital construction retainage payable were offset by a decrease in services and supplies payable associated with capital construction projects. See Note 7 Accounts Payable and Accrued Liabilities for additional information.
- The current portion of long-term liabilities increased by \$22 million due mainly to the remaining balance of the line of credit being classified as current. See Note 9 for additional information.

**Noncurrent Liabilities** increased by \$82 million, or 9 percent.

- The noncurrent portion of long-term liabilities increased by \$74 million due primarily to the issuance of \$140 million in Revenue Bonds during 2019 which was offset by a decrease of \$47 million in the line of credit liability and a decrease of \$14 million contracts payable to the state. See discussion of Debt Administration earlier in this MD&A and Note 9 for additional information.

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

- The asset retirement obligation was relatively unchanged. See Note 10 Asset Retirement Obligations for additional information.
- Net pension liability increased by \$8 million. See Note 16 Employee Retirement Plans for additional information.
- The OPEB Liability was relatively unchanged. See Note 17 Other Post-employment Benefits (OPEB) for additional information.

**Deferred Inflows of Resources** increased by \$27 million due to a \$26 million increase related to the net pension liability, and a \$1 million increase related to the OPEB asset and liabilities. See Note 6 Deferred Outflows and Inflows of Resources for detailed information on this change.

### Comparison of fiscal year 2018 to fiscal year 2017

**Current Liabilities** increased by \$33 million, or 18 percent, primarily due to:

- Accounts payable and accrued liabilities increased by \$16 million. Increased services and supplies payable associated with capital construction projects, grants, and general operations as well as increased payroll withholdings payable were offset by a decrease in capital construction contract retainage payable.
- Unearned revenues increased by \$6 million. Increases in unearned revenue associated with summer session tuition and fees, grants and contracts, and other operations were offset by a decrease in unearned revenue associated with auxiliaries.
- The current portion of long-term liabilities increased by \$5 million due mainly to the accrual of the Perkins loan program liability. With the termination of the federal Perkins program, OSU was required to reclassify the federal capital contribution from net position to a long-term liability since those funds are now required to be paid back to the federal government. See Note 1 Organization and Summary of Accounting Policies, Section X Perkins Loan Program Termination and Note 9 for additional information.

**Noncurrent Liabilities** increased by \$102 million, or 13 percent.

- The noncurrent portion of long-term liabilities increased by \$119 million due primarily to the issuance of Revenue Bonds during 2018, an increase in the line of credit liability, and the accrual of the Perkins loan program liability. See discussion of Debt Administration earlier in this MD&A and Note 9 for additional information.
- Net pension liability decreased by \$29 million. See Note 16 for additional information.
- The implementation of GASB Statement No. 75 added \$12 million in OPEB liability. See Note 17 for additional information.

**Deferred Inflows of Resources** increased by \$4 million or 133 percent.

- Deferred inflows related to the net pension liability increased by \$3 million.
- The implementation of GASB Statement No. 75 added \$1 million in deferred inflows related to the OPEB asset and liabilities.

See Note 6 for additional information.

### **Total Net Position**

Total net position (TNP) increased by \$35 million, or 5 percent, during 2019. TNP benefited from a \$76 million increase in net investment in capital assets, but was negatively impacted by a reduction in nonexpendable net position of \$1 million, a reduction in unrestricted net position of \$38 million and a reduction of restricted expendable net position of \$2 million.

TNP decreased by \$27 million, or 4 percent, during 2018. TNP benefited from a \$5 million increase in net investment in capital assets, as well as an increase in nonexpendable net position of \$1 million, but was negatively impacted by a reduction in unrestricted net position of \$16 million and a reduction of restricted expendable net position of \$17 million.

The graph below illustrates how the composition of net position has changed since 2017. (in millions)



### Comparison of fiscal year 2019 to fiscal year 2018

**Net Investment in Capital Assets** increased by \$76 million, or 11 percent.

- Capitalized acquisitions net of disposals added \$122 million, which was offset by a \$50 million increase to accumulated depreciation. Additionally, there was a net decrease of \$4 million in long-term debt outstanding attributable to the capital assets. See Note 5 Capital Assets and Note 9 Long-Term Liabilities for additional information.

**Restricted Expendable Net Position** decreased by \$2 million, or 3 percent.

- Net position restricted for gifts, grants and contracts decreased by \$5 million due primarily to a decrease in the market value of endowment funds and a decrease in the aggregate net position of restricted grant funds.
- Net position restricted for student loans was relatively unchanged. Increases in cash balances were offset by decreases in student loan receivables.
- Net position restricted for capital projects was relatively unchanged.
- Net position restricted for debt service increased by \$2 million due to an increase in cash on hand.
- Net Position restricted for OPEB asset increased by \$2 million and is equal to the Net OPEB Asset reported in noncurrent assets.

**Unrestricted Net Position** decreased by \$38 million, or 62 percent.

- A decline in unrestricted operating performance, which includes education, auxiliary and general business type activities, resulted in a decrease to unrestricted net position of \$12 million.
- Changes associated with the PERS net pension liability decreased unrestricted net position by \$28 million, due primarily to a significant increase in the deferred inflows of resources associated with the net pension liability. See Note 6 and Note 16 for additional information.
- The OPEB asset, liabilities and associated deferred outflows and inflows of resources were relatively unchanged.
- Decreases associated with year-end liability accruals for the PERS state and local government rate pool (SLGRP) and compensated absences increased unrestricted net position by \$2 million.

See Note 11 Unrestricted Net Position for additional information.

### **Comparison of fiscal year 2018 to fiscal year 2017**

**Net Investment in Capital Assets** increased by \$5 million, or 1 percent.

- Capitalized acquisitions net of disposals added \$104 million, which was offset by a \$48 million increase to accumulated depreciation. Additionally, there was a net increase of \$51 million in long-term debt outstanding attributable to the capital assets as a result of a revenue bond sale during fiscal year 2018. See Note 5 and Note 9 for additional information.

**Restricted Expendable Net Position** decreased by \$17 million, or 20 percent.

- Net position restricted for gifts, grants and contracts increased by \$4 million due primarily to an increase in the market value of endowment funds managed by the OSU Foundation.
- Net position restricted for student loans decreased \$22 million due to the termination of the Perkins loan program and the establishment of a liability for the amount of federal capital contribution due to the federal government. See Note 1, Section X for additional details.
- Net positions restricted for capital projects and debt service were relatively unchanged.
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulted in the creation of a new restricted expendable net position for the OPEB asset. The restricted expendable OPEB asset is equal to the Net OPEB Asset of \$1 million reported in noncurrent assets.

**Unrestricted Net Position** decreased by \$16 million, or 36 percent.

- Improved unrestricted operating performance, which includes education, auxiliary and general business type activities, increased unrestricted net position by \$30 million.
- Changes associated with the PERS net pension liability decreased unrestricted net position by \$36 million, due primarily to a significant decrease in the deferred outflows of resources associated with the net pension liability. See Note 6 and Note 16 for additional information.
- The implementation of GASB Statement No. 75 and the reporting of net OPEB liabilities, coupled with the associated deferred outflows and inflows for those liabilities and the OPEB asset, resulted in a net decrease of \$11 million.
- Decreases associated with year-end liability accruals for the PERS state and local government rate pool (SLGRP) and compensated absences increased unrestricted net position by \$2 million.

See Note 11 for additional information.

## **Statement of Revenues, Expenses and Changes in Net Position**

Due to the classification of certain key revenues as nonoperating revenue, OSU normally shows a loss from operations. State general fund appropriations, nonexchange grants and noncapital gifts, although considered nonoperating revenue under GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment*

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

of GASB Statement No. 34, and reflected accordingly in the nonoperating section of the SRE, are used solely to support the operations of the university.

The following summarizes the revenues and expenses of OSU (in millions):

### Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	2019	2018	2017
Operating Revenues	\$ 838	\$ 809	\$ 768
Operating Expenses	1,213	1,171	1,100
Operating Loss	(375)	(362)	(332)
Nonoperating Revenues, Net of Expenses	334	294	295
Other Revenues, Net of Expenses	76	52	50
Increase (Decrease) in Net Position	35	(16)	13
Net Position, Beginning of Year, Restated	725	741	739
Net Position, End of Year	\$ 760	\$ 725	\$ 752

### Revenues

Total revenues increased by \$75 million, or 6 percent, in 2019 over 2018. This increase was due to an increase in almost all categories of revenue, with only a slight decrease in nonoperating and other items.

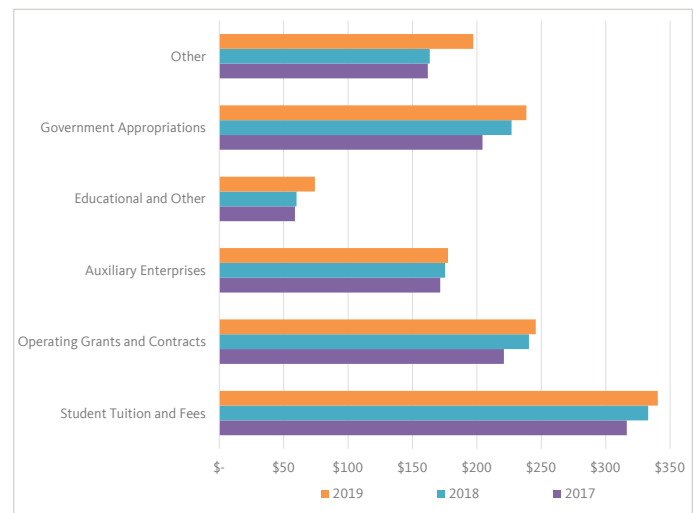
### Total Operating, Nonoperating and Other Revenues

(in millions)

For the Years Ended June 30,	2019	2018	2017
Student Tuition and Fees	\$ 340	\$ 333	\$ 316
Grants and Contracts	246	241	221
Auxiliary Enterprises	178	175	172
Educational and Other	74	60	59
Total Operating Revenues	838	809	768
Government Appropriations	238	227	204
Financial Aid Grants	45	43	43
Gifts	57	56	53
Investment Activity	21	12	13
Capital Grants and Gifts	76	50	49
Nonoperating and Other Items	(1)	2	4
Total Nonoperating and Other Revenues	436	390	366
Total Revenues	\$ 1,274	\$ 1,199	\$ 1,134

### Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)



### Operating Revenues

Operating revenues increased by \$29 million in 2019, or 4 percent, over 2018, to \$838 million. Operating revenues increased by \$41 million in 2018, or 5 percent, over 2017, to \$809 million. The increases in 2019 and 2018 were due to increases in all categories of operating revenue.

### Comparison of fiscal year 2019 to fiscal year 2018

**Net Student Tuition and Fees** increased by \$7 million, or 2 percent.

- Higher tuition and fee rates accounted for \$14 million of the increase.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by \$7 million more than in the prior year.

**Federal, State and Nongovernmental Grants and Contracts** increased by \$5 million, or 2 percent.

- Federal grant and contract revenues increased by \$8 million primarily due to continued increases in cooperative agreements.
- State and local grant and contract revenues were relatively unchanged.
- Nongovernmental grant and contract revenues decreased by \$3 million due mainly to a decrease in grants and contracts from commercial businesses.

**Auxiliary Enterprise** revenues increased by \$3 million, or 2 percent.

- Housing and dining revenues increased by \$2 million due to increased rates and occupancy for room and board and increased miscellaneous meal plan revenue.



## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

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- Athletics revenues increased by \$3 million. Decreases in ticket sales were offset by increases in guarantees, bowl income, athletic conference TV shares and sponsorship income.
- Health services revenues decreased by \$1 million due mainly to decreased income from medical supply sales and other medical services.
- Other auxiliary revenues decreased by \$1 million due mainly to decreased student incidental fee revenue and increased refunds.

**Educational and Other revenues** increased by \$14 million, or 23 percent.

- Educational department sales and services revenues increased by \$7 million due mainly to increased sales, services, test fees, and noncredit workshop revenues, offset by decreases in conference income and miscellaneous fees.
- Other operating revenues increased by \$7 million. A fire in Burt Hall on November 30, 2018 resulted in \$7 million in insurance recoveries during fiscal year 2019.

### Comparison of fiscal year 2018 to fiscal year 2017

**Net Student Tuition and Fees** increased by \$17 million, or 5 percent.

- Higher tuition and fee rates accounted for \$13 million of the increase.
- A 1.4 percent FTE student enrollment increase added \$6 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by \$2 million more than in the prior year.

**Federal, State and Nongovernmental Grants and Contracts** increased by \$20 million, or 9 percent.

- Federal grant and contract revenues increased by \$19 million primarily due to continued increases in cooperative agreements.
- State and local grant and contract revenues decreased by \$3 million due primarily to decreases in state grants, contracts and cooperative agreements.
- Nongovernmental grant and contract revenues increased by \$4 million due mainly to an increase in grants and contracts from the Agricultural Research Foundation.

**Auxiliary Enterprise** revenues increased by \$3 million, or 2 percent.

- Housing and dining revenues increased by \$3 million due to increased room and board and miscellaneous meal plan revenue.
- Athletics revenues decreased by \$5 million primarily as the result of decreased ticket sales and a one-time spike in revenue in 2017 associated with the departure of the

Athletic Director and the buy-out of his contract.

- Health services revenues increased by \$2 million due mainly to increased income from medical supply sales, pharmacy sales and non-employee insurance premiums.
- Other auxiliary revenues increased by \$3 million due mainly to student incidental fee revenue and decreased refunds.

**Educational and Other revenues** increased by \$1 million, or 2 percent.

- Educational department sales and services revenues increased by \$1 million due mainly to increased services, fees, surplus sales and conference and workshop revenues, offset by a decrease in lease income.

### **Nonoperating and Other Revenues**

Total nonoperating and other revenues increased by \$46 million during 2019 primarily due to increases in government appropriations and capital grants and gifts. The increase in total nonoperating and other revenues of \$24 million during 2018 resulted mainly from increases in government appropriations and gifts.

### Comparison of fiscal year 2019 to fiscal year 2018

**Government Appropriations** increased by \$11 million, or 5 percent.

- State appropriations increased by \$13 million due to increased funding received in support of the operations of the university and statewide public services.
- State lottery appropriations in support of outdoor school were relatively unchanged from the prior year. Outdoor school for middle school students is administered by the cooperative extension services on behalf of the state.
- Federal and county appropriations in support of the statewide public services decreased by \$2 million.
- Debt service appropriations from the state were unchanged.
- See Note 15 Government Appropriations for additional information.

**Financial Aid Grants** were increased by \$2 million, or 5 percent. Decreases in federal work study assistance were offset by increases in federal Pell grants and Oregon opportunity grants.

**Gifts** increased by \$1 million, or 2 percent. Increased gifts from the OSU Foundation and private sources were offset by decreased gifts from commercial and other foundations as well as decreased gifts in-kind from various sources.

**Investment Activity** revenues increased by \$9 million, or 75 percent. See Note 13 Investment Activity for additional information relating to these changes.

**Capital Grants and Gifts** increased by \$26 million, or 52 percent. Increased XI-G and XI-Q capital grant revenue from

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

the state as well as increased gift revenue from the OSU Foundation and other foundations and associations were slightly offset by decreased federal and commercial grants and contracts for capital construction.

**Nonoperating and Other Items** decreased by \$3 million, or 150 percent.

### Comparison of fiscal year 2018 to fiscal year 2017

**Government Appropriations** increased by \$23 million, or 11 percent.

- State appropriations increased by \$9 million due to increased funding received in support of the operations of the university and statewide public services.
- OSU received \$12 million in state lottery appropriations in support of outdoor school for middle school students, which cooperative extension services administers on behalf of the state.
- Federal and county appropriations in support of the statewide public services increased by \$2 million.
- Debt service appropriations from the state were unchanged.
- See Note 15 for additional information.

**Financial Aid Grants** were relatively unchanged. Decreases in federal work study assistance, state need grants and Ford Family Foundation scholarships were offset by increases in federal Pell grants.

**Gifts** increased by \$3 million, or 6 percent due mainly to increased gifts from the OSU Foundation, other foundations and gifts in-kind from various sources.

**Investment Activity** revenues decreased by \$1 million, or 8 percent. See Note 13 for additional information.

**Capital Grants and Gifts** increased by \$1 million, or 2 percent. Increased XI-G and XI-Q capital grant revenue from the state was offset by decreased gift revenue from the OSU Foundation, other foundations and associations, and federal grants and contracts for capital construction.

**Nonoperating and Other Items** decreased by \$2 million, or 50 percent, due mainly to the state refunding previously held XI-F(1) General Obligation Bonds in the prior year. The refunding resulted in a net reduction in long-term contracts payable by OSU to the state. The decrease was offset by a slight increase in permanent endowments.

## Expenses

### Operating Expenses

Operating expenses increased by \$42 million in 2019, or 4 percent, over 2018, to \$1,213 million. Increases were seen in most categories of operating expenses with the biggest increases in instruction, public service and other operating expenses. These increases were slightly offset by small decreases in research, student services, auxiliary programs and student aid.

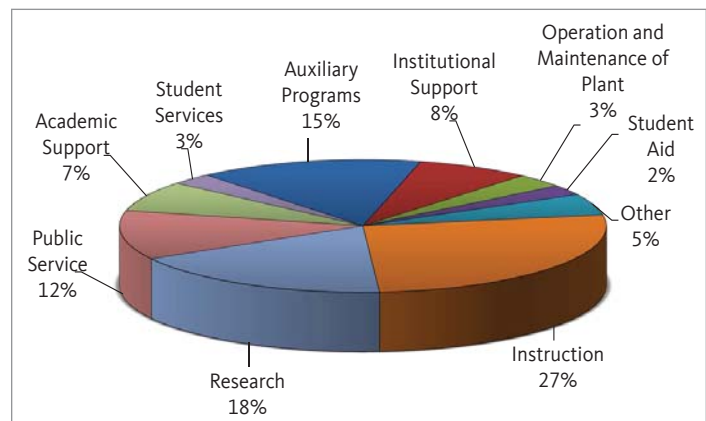
Operating expenses increased by \$71 million in 2018, or 6 percent over 2017, to \$1,171 million. Increases were seen in all categories of operating expenses except other operating expenses which decreased slightly and student aid which was unchanged from the prior year.

The following table and chart summarize operating expenses by functional classification (in millions):

### Operating Expenses by Function

For the Years Ended June 30,	2019	2018	2017
Instruction	\$ 322	\$ 307	\$ 291
Research	216	217	208
Public Service	145	131	108
Academic Support	90	86	80
Student Services	34	36	34
Auxiliary Programs	181	183	170
Institutional Support	91	88	85
Operations & Maintenance of Plant	40	39	36
Student Aid	30	31	31
Other Operating Expenses	64	53	57
<b>Total Operating Expenses</b>	<b>\$ 1,213</b>	<b>\$ 1,171</b>	<b>\$ 1,100</b>

### 2019 Operating Expenses by Function



The implementation of GASB Statement Nos. 68 and 71 in 2015 and GASB Statement No. 75 in 2018 has had a significant impact on the operating expenses reported by OSU. See the table on the next page for the impact of GASB Statements Nos. 68, 71 and 75 on the functional expenses of the university.

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

The following tables show the effect of GASB Statement Nos. 68, 71 and 75 on operating expenses across the functional classifications (in millions):

### Effect of GASB Statement Nos. 68, 71 and 75 on Expenses by Function

For the Year Ended June 30, 2019	As Reported	Without GASB 68/71 & 75	Difference
Instruction	\$ 322	\$ 314	\$ 8
Research	216	212	4
Public Service	145	141	4
Academic Support	90	88	2
Student Services	34	33	1
Auxiliary Programs	181	178	3
Institutional Support	91	90	1
Operation & Maintenance of Plant	40	37	3
Student Aid	30	30	-
Other Operating Expenses	64	63	1
<b>Total Operating Expenses</b>	<b>\$ 1,213</b>	<b>\$ 1,186</b>	<b>\$ 27</b>

For the Year Ended June 30, 2018	As Reported	Without GASB 68/71 & 75	Difference
Instruction	\$ 307	\$ 297	\$ 10
Research	217	211	6
Public Service	131	127	4
Academic Support	86	83	3
Student Services	36	34	2
Auxiliary Programs	183	179	4
Institutional Support	88	86	2
Operation & Maintenance of Plant	39	35	4
Student Aid	31	31	-
Other Operating Expenses	53	52	1
<b>Total Operating Expenses</b>	<b>\$ 1,171</b>	<b>\$ 1,135</b>	<b>\$ 36</b>

For the Year Ended June 30, 2017	As Reported	Without GASB 68/71 & 75	Difference
Instruction	\$ 291	\$ 279	\$ 12
Research	208	202	6
Public Service	108	103	5
Academic Support	80	76	4
Student Services	34	32	2
Auxiliary Programs	170	165	5
Institutional Support	85	81	4
Operation & Maintenance of Plant	36	35	1
Student Aid	31	31	-
Other Operating Expenses	57	56	1
<b>Total Operating Expenses</b>	<b>\$ 1,100</b>	<b>\$ 1,060</b>	<b>\$ 40</b>

GASB Statement Nos. 68, 71, and 75 have resulted in increases to total operating expenses of \$27, \$36, and \$40 million in 2019, 2018, and 2017, respectively. The \$103 million aggregate total for the three year period has had a marked impact on the university's reported operating performance and net position.

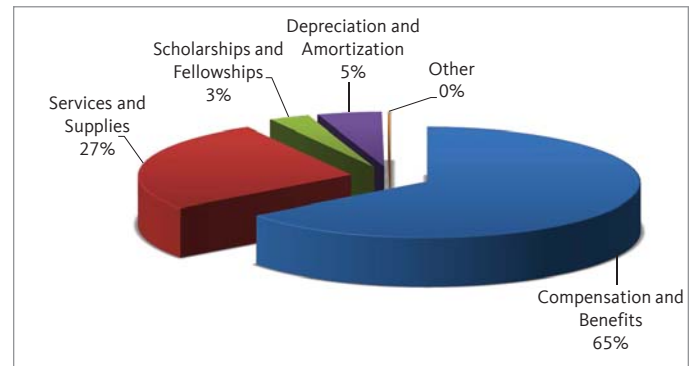
### Operating Expenses by Natural Classification

Due to the way in which expenses are incurred by OSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to multiple functional expense caption items. See Note 14 Operating Expenses by Natural Classification for additional information.

The following summarizes operating expenses by natural classification (in millions):

For the Years Ended June 30,	2019	2018	2017
Compensation and Benefits	\$ 786	\$ 774	\$ 736
Services and Supplies	329	299	269
Scholarships and Fellowships	37	39	39
Depreciation and Amortization	59	56	55
Other	2	3	1
<b>Total Operating Expenses</b>	<b>\$ 1,213</b>	<b>\$ 1,171</b>	<b>\$ 1,100</b>

### 2019 Operating Expenses by Natural Classification



### Comparison of fiscal year 2019 to fiscal year 2018

**Compensation and Benefit** costs increased by \$12 million, or 2 percent.

- Salary and wage costs increased by \$15 million due primarily to wage increases for faculty, staff and student employees.
- Retirement and health insurance costs increased by \$6 million due primarily to increased insurance rates.
- Other payroll expenses decreased by \$1 million.
- Adjustments and accruals to compensation and benefits associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by \$8 million. See Note 16 Employee Retirement Plans for additional information on this variance.
- Adjustments and accruals to compensation and benefits associated with the OPEB asset and liability reporting requirement of GASB Statement No. 75 were relatively unchanged. See Note 17 Other Post-employment Benefits (OPEB) for additional information.

**Services and Supplies** expenses increased by \$30 million, or 10 percent. Increases in general supplies, maintenance and repairs, fees and services for contract education services, and other services and supplies were slightly offset by decreases in rentals and leases, medical and scientific services and supplies, and subcontract expenses.

## Management's Discussion and Analysis For the Years Ended June 30, 2019 and 2018

**Scholarships and Fellowships** costs decreased by \$2 million, or 5 percent. A decrease in federal aid was slightly offset by increases in state, institutional, and OSU Foundation aid.

**Depreciation and Amortization** expense increased by \$3 million, or 5 percent. During 2019, \$57 million in capital projects were completed and placed into service, including the Advanced Wood Products Laboratory, Gilbert Hall renovation, HP11 improvement, and Nypro Building renovation.

### Comparison of fiscal year 2018 to fiscal year 2017

**Compensation and Benefit** costs increased by \$38 million, or 5 percent.

- Salary and wage costs increased by \$20 million due to additional staff and faculty hires combined with wage increases.
- Wage costs further increased by \$2 million due to increased graduate student employment.
- Wage costs decreased by \$2 million due to decreased undergraduate student employment.
- Retirement and health insurance costs increased by \$21 million due primarily to increased retirement contributions and insurance rates.
- Other payroll expenses increased by \$3 million.
- Adjustments and accruals to compensation and benefits associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by \$5 million. See Note 16 for additional information.
- Adjustments and accruals to compensation and benefits associated with the OPEB asset and liability reporting requirement of GASB Statement No. 75 decreased by \$1 million. See Note 17 for additional information.

**Services and Supplies** expenses increased by \$30 million, or 11 percent. Increases in supplies, fees and services for contract education services, communications and conferences were slightly offset by decreases in subcontract expenses.

**Scholarships and Fellowships** costs was relatively unchanged. Decreases in state and private student aid were offset by increases in federal, institutional and OSU Foundation aid.

**Depreciation and Amortization** expense increased by \$1 million, or 2 percent. During 2018, \$27 million in capital projects were completed and placed into service, including the Steam Tunnel Utility System improvement, and Agricultural Systems Center.

## Nonoperating Expenses

For the Years Ended June 30,	2019	2018	2017
Loss on Sale of Assets	\$ (1)	\$ (1)	\$ (1)
Interest Expense	(25)	(22)	(20)
Perkins Loan Program Termination	-	(22)	-
<b>Total Nonoperating Expenses</b>	<b>\$ (26)</b>	<b>\$ (45)</b>	<b>\$ (21)</b>

### Comparison of fiscal year 2019 to fiscal year 2018

**Interest Expense** increased by \$3 million, or 14 percent, due primarily to increased revenue bond interest.

### Comparison of fiscal year 2018 to fiscal year 2017

**Gain (Loss) on Sale or Disposal of Fixed Assets** decreased by less than \$1 million due to fewer disposals in fiscal year 2018.

**Interest Expense** increased by \$2 million, or 10 percent, due primarily to increased revenue bond interest, other loan interest expense and no adjustment for capitalized interest in fiscal year 2018 due to the early implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. See Note 1 Organization and Summary of Significant Accounting Policies, Section H Capital Assets for additional information.

**Perkins Loan Program Termination** expense increased by \$22 million due to the recording of the Perkins loan program liability for the amount of federal capital contribution (FCC) due back to the U.S. Department of Education (ED). The Perkins loan program has been discontinued by the federal government. OSU will be continuing to collect on Perkins loans outstanding and return the FCC to the ED as it is collected. See Note 1, Section X Perkins Loan Program Termination for additional information.

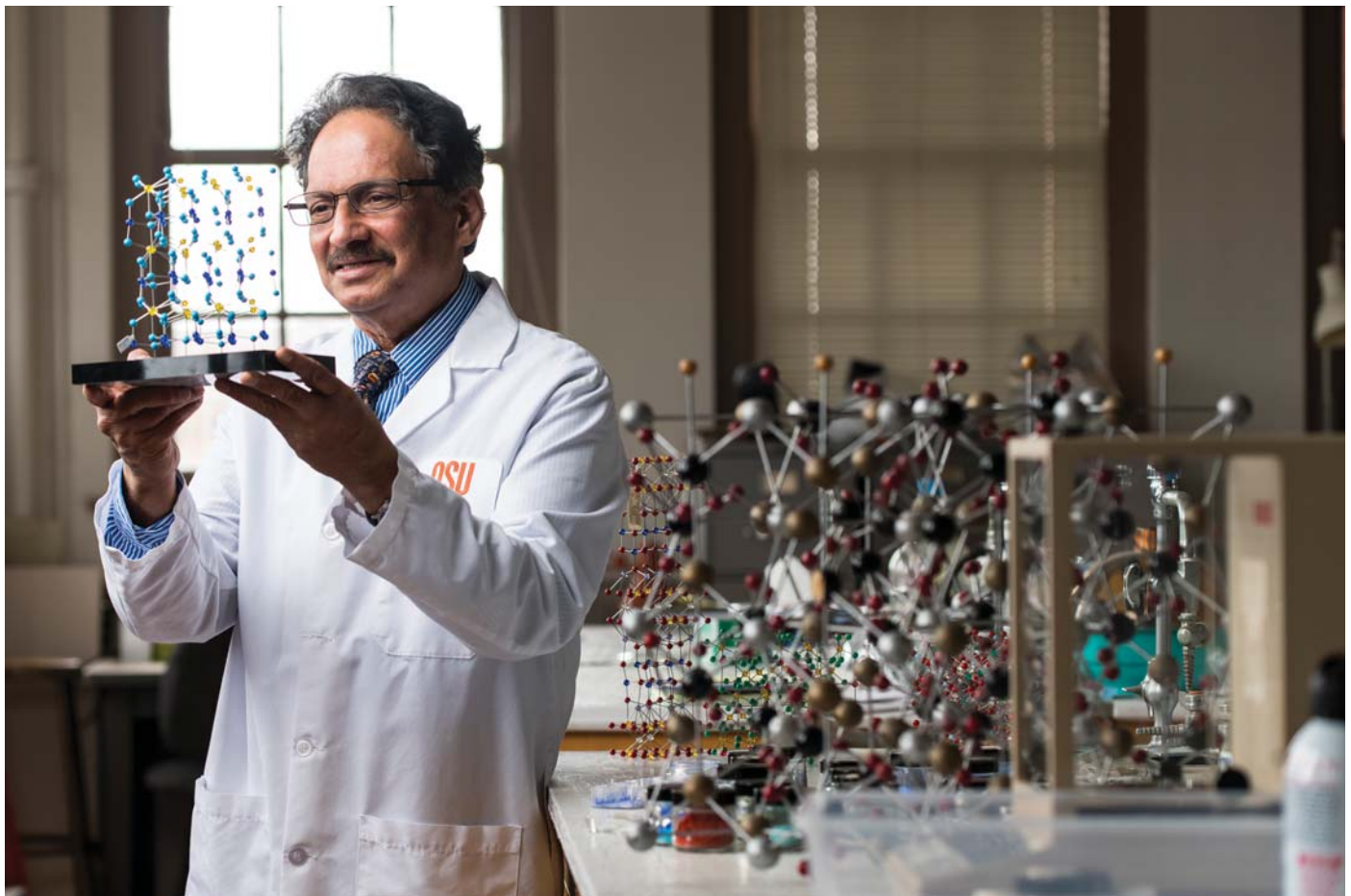
## Economic Outlook

Funding for the major activities of OSU comes from a variety of sources: tuition and fees; financial aid programs; state, federal and county appropriations; federal, foundation and other grants; private and government contracts; royalties; and donor gifts and investment earnings. Revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and facilities costs.

Public higher education in Oregon continues to face familiar challenges – inadequate state support, pressures to keep education affordable and yet improve degree completions, changing student demographics necessitating more support services, and costs associated with mandated participation in state health and retirement systems. State support has recently been holding steady but at levels insufficient to significantly relieve students and families of escalating costs and related debt.

Enrollment changes—both in number and in mix—can have the greatest effect on the operating budget. The growth we have seen over the past decade is flattening somewhat, but increasing enrollment is still the primary opportunity for OSU as we look to the future. The university continues to explore opportunities to serve students, whether through an expanding physical presence or being in the forefront of emerging program offerings. Research expenditures continue on an upward trajectory. Regardless of the specific external influences, the university deploys both long-term and short-term planning strategies to stabilize operations and optimize its ability to execute the mission.

OSU is ultimately subject to the same economic variables that affect other entities but maintains its focus on providing quality instruction, research and public service to its students and the citizens of the State, the nation and the world. For detailed information on the state's economic outlook, Oregon's Office of Economic Analysis provides quarterly forecasts at its website: <https://www.oregon.gov/DAS/OEA/Pages/index.aspx>



## Statements of Net Position

As of June 30,	University	
	2019	2018 as Restated (In thousands)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 223,114	\$ 78,461
Collateral from Securities Lending (Note 2)	12,627	13,510
Accounts Receivable, Net (Note 3)	127,661	123,599
Notes Receivable, Net (Note 4)	3,798	4,548
Inventories	1,794	1,746
Prepaid Expenses	11,416	8,893
<b>Total Current Assets</b>	<b>380,410</b>	230,757
<b>Noncurrent Assets</b>		
Cash and Cash Equivalents (Note 2)	27,986	43,176
Investments (Note 2)	212,026	247,248
Notes Receivable, Net (Note 4)	17,497	20,656
Net OPEB Asset (Note 17)	2,626	1,027
Capital Assets, Net of Accumulated Depreciation (Note 5)	1,254,622	1,182,980
<b>Total Noncurrent Assets</b>	<b>1,514,757</b>	1,495,087
<b>Total Assets</b>	<b>\$ 1,895,167</b>	\$ 1,725,844
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 6)</b>		
	<b>\$ 134,799</b>	\$ 127,959
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 7)	\$ 100,788	\$ 88,557
Deposits	1,753	1,704
Obligations Under Securities Lending (Note 2)	12,627	13,510
Current Portion of Long-Term Liabilities (Note 9)	68,408	46,896
Current Portion of Asset Retirement Obligation (Note 10)	565	-
Unearned Revenues	61,412	62,693
<b>Total Current Liabilities</b>	<b>245,553</b>	213,360
<b>Noncurrent Liabilities</b>		
Long-Term Liabilities (Note 9)	650,408	576,074
Net Pension Liability (Note 16)	302,317	293,882
OPEB Liability (Note 17)	18,902	18,960
Asset Retirement Obligation (Note 10)	18,550	19,115
<b>Total Noncurrent Liabilities</b>	<b>990,177</b>	908,031
<b>Total Liabilities</b>	<b>\$ 1,235,730</b>	\$ 1,121,391
<b>DEFERRED INFLOWS OF RESOURCES (Note 6)</b>		
	<b>\$ 34,558</b>	\$ 7,202
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 787,485	\$ 711,200
Restricted For:		
Nonexpendable Endowments	5,396	5,960
Expendable:		
Gifts, Grants and Contracts	45,042	49,698
Student Loans	9,749	10,091
Capital Projects	5,533	5,963
Debt Service	3,508	1,996
OPEB Asset	2,626	1,027
Unrestricted (Note 11)	(99,661)	(60,725)
<b>Total Net Position</b>	<b>\$ 759,678</b>	\$ 725,210

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

## Statements of Financial Position

As of June 30,	Component Units	
	2019	2018
	(In thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,446	\$ 26,189
Investments	728,076	692,942
Contributions, Pledges and Grants Receivable, Net	41,475	46,981
Assets Held-For-Sale	7,150	5,559
Assets Held Under Split-Interest Agreements	54,205	47,684
Charitable Trusts Held Outside the Foundation	15,021	15,310
Prepaid Expenses and Other Assets	3,458	3,703
Property and Equipment, Net	28,174	13,168
<b>Total Assets</b>	<b>\$ 883,005</b>	<b>\$ 851,536</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 9,431	\$ 8,312
Endowment Assets Held for OSU	48,272	47,976
Accounts Payable to the University	5,204	4,944
Obligations to Beneficiaries of Split-Interest Agreements	24,910	21,514
Deposits and Unearned Revenue	11,145	9,838
Long-Term Liabilities	3	4
<b>Total Liabilities</b>	<b>98,965</b>	<b>92,588</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	38,918	31,774
With Donor Restrictions	745,122	727,174
<b>Total Net Assets</b>	<b>784,040</b>	<b>758,948</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 883,005</b>	<b>\$ 851,536</b>

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

## Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	University	
	2019	2018 as Restated (In thousands)
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Allowances of \$84,553 and \$77,609, respectively)	\$ 340,451	\$ 332,932
Federal Grants and Contracts	212,209	203,740
State and Local Grants and Contracts	9,979	10,450
Nongovernmental Grants and Contracts	23,491	26,164
Educational Department Sales and Services	58,801	51,454
Auxiliary Enterprises (Net of Allowances of \$3,167 and \$2,981, respectively)	177,544	175,300
Other Operating Revenues	15,464	8,569
<b>Total Operating Revenues</b>	<b>837,939</b>	<b>808,609</b>
<b>OPERATING EXPENSES</b>		
Instruction	321,792	307,402
Research	216,199	216,477
Public Service	145,034	131,223
Academic Support	90,234	86,078
Student Services	33,651	36,313
Auxiliary Programs	181,288	183,396
Institutional Support	91,279	87,482
Operation and Maintenance of Plant	40,401	38,741
Student Aid	29,988	31,004
Other Operating Expenses	63,556	52,487
<b>Total Operating Expenses (Note 14)</b>	<b>1,213,422</b>	<b>1,170,603</b>
<b>Operating Loss</b>	<b>(375,483)</b>	<b>(361,994)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Government Appropriations (Note 15)	237,349	225,847
Financial Aid Grants	44,418	42,731
Gifts	57,205	56,475
Investment Activity (Note 13)	21,286	12,292
Loss on Sale of Assets, Net	(596)	(555)
Interest Expense	(25,085)	(22,263)
Perkins Loan Program Termination (Note 1, Section X)	-	(21,676)
Other Nonoperating Items	(589)	835
<b>Total Net Nonoperating Revenues</b>	<b>333,988</b>	<b>293,686</b>
<b>Loss Before Other Revenues</b>	<b>(41,495)</b>	<b>(68,308)</b>
<b>OTHER REVENUES</b>		
Debt Service Appropriations (Note 15)	1,073	1,073
Capital Grants and Gifts	75,453	50,279
Changes to Permanent Endowments	(563)	824
<b>Total Net Other Revenues</b>	<b>75,963</b>	<b>52,176</b>
<b>Increase (Decrease) In Net Position</b>	<b>34,468</b>	<b>(16,132)</b>
<b>NET POSITION</b>		
Beginning Balance, Restated (Note 1, Section AA)	725,210	741,342
<b>Ending Balance</b>	<b>\$ 759,678</b>	<b>\$ 725,210</b>

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



## Statements of Activities

For the Years Ended June 30,	Component Units	
	2019	2018
	(in thousands)	
<b>CHANGE IN NET ASSETS HELD WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Grants, Bequests and Gifts	\$ 6,713	\$ 18,479
Investment Income, Net	8,151	5,359
Net Assets Released From Restrictions and Other Transfers	88,430	78,158
Other Revenues	22,241	21,487
<b>Total Revenues</b>	<b>125,535</b>	<b>123,483</b>
<b>EXPENSES</b>		
University Support	85,611	82,056
Management and General	13,049	13,391
Development	19,731	18,176
<b>Total Expenses</b>	<b>118,391</b>	<b>113,623</b>
<b>Increase In Net Assets Held Without Donor Restrictions</b>	<b>7,144</b>	<b>9,860</b>
Beginning Balance, Net Assets Held Without Donor Restrictions	31,774	21,914
<b>Ending Balance, Net Assets Held Without Donor Restrictions</b>	<b>\$ 38,918</b>	<b>\$ 31,774</b>
<b>CHANGE IN NET ASSETS HELD WITH DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Grants, Bequests and Gifts	\$ 78,889	\$ 88,526
Investment Income, Net	23,757	39,132
Change in Value of Life Income Agreements	541	2,485
Other Revenues	3,191	3,568
Net Assets Released From Restrictions and Other Transfers	(88,430)	(78,158)
<b>Increase In Net Assets Held With Donor Restrictions</b>	<b>17,948</b>	<b>55,553</b>
Beginning Balance, Net Assets Held With Donor Restrictions	727,174	671,621
<b>Ending Balance, Net Assets Held With Donor Restrictions</b>	<b>\$ 745,122</b>	<b>\$ 727,174</b>
Beginning Balance	\$ 758,948	\$ 693,535
<b>Increase In Total Net Assets</b>	<b>25,092</b>	<b>65,413</b>
<b>Ending Balance</b>	<b>\$ 784,040</b>	<b>\$ 758,948</b>

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

## Statements of Cash Flows

For the Years Ended June 30,	University	
	2019	2018 as Restated (In thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 346,455	\$ 332,545
Grants and Contracts	240,491	237,522
Educational Department Sales and Services	56,204	54,720
Auxiliary Enterprise Operations	179,436	170,695
Payments to Employees for Compensation and Benefits	(761,141)	(737,291)
Payments to Suppliers	(325,008)	(288,146)
Student Financial Aid	(37,359)	(38,425)
Other Operating Receipts	13,581	13,094
<b>Net Cash Used by Operating Activities</b>	<b>(287,341)</b>	<b>(255,286)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Government Appropriations	237,349	225,847
Financial Aid Grants	44,418	42,731
Private Gifts Received for Endowment Purposes	-	824
Other Gifts and Private Contracts	57,205	56,475
Net Agency Fund Receipts (Payments)	49	(332)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>339,021</b>	<b>325,545</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt Service Appropriations	1,073	1,073
Capital Grants and Gifts	68,003	43,752
Proceeds from Capital Debt	140,000	124,405
Sales of Capital Assets	1,123	434
Purchases of Capital Assets	(122,810)	(113,867)
Interest Payments on Capital Debt	(24,380)	(21,867)
Principal Payments on Capital Debt	(41,197)	(21,760)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>21,812</b>	<b>12,170</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Sales (Purchases) of Investments	41,224	(62,613)
Interest Receipts on Investments and Cash Balances	14,747	12,271
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>55,971</b>	<b>(50,342)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>129,463</b>	<b>32,087</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning Balance	121,637	89,550
<b>Ending Balance</b>	<b>\$ 251,100</b>	<b>\$ 121,637</b>

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

## Statements of Cash Flows - Continued

For the Years Ended June 30,	University	
	2019	2018 as Restated (In thousands)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (375,483)	\$ (361,994)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	59,294	56,493
Changes in Assets and Liabilities:		
Accounts Receivable	(4,400)	(3,462)
Notes Receivable	3,909	(2,212)
Inventories	(48)	12
Prepaid Expenses	(2,523)	(2,739)
Net Pension Liability and Related Deferrals	28,259	36,426
OPEB Asset/Liability and Related Deferrals	(1,455)	(1,089)
Asset Retirement Obligation Related Deferral	464	464
Accounts Payable and Accrued Liabilities	8,840	17,782
Long-Term Liabilities	(2,917)	(608)
Unearned Revenues	(1,281)	5,641
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (287,341)</b>	<b>\$ (255,286)</b>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>		
Capital Assets Acquired by Gifts-in-Kind	\$ 7,788	\$ 1,251
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	6,539	21
Capital Assets Acquired by Accounts Payable	4,904	2,584

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

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Oregon State University (OSU, university) is a comprehensive public university governed by the Oregon State University Board of Trustees (board), a citizen board appointed by the Governor with confirmation by the state senate. OSU serves as the state of Oregon's land, sea, space, and sun grant university.

The OSU financial reporting entity is comprised of OSU and two related foundations. OSU includes the main campus in Corvallis and a branch campus in Bend and receives separate appropriations for statewide activities including Agricultural Experiment Stations, Cooperative Extension Service, and Forestry Research Laboratories. Because the Governor of the State of Oregon (state) appoints the OSU Board of Trustees, and because OSU receives some financial support from the state, OSU is a discretely presented component unit of the state and is included in its comprehensive annual financial report (CAFR).

Similarly, the university's two related foundations are discretely presented as component units on OSU's basic financial statements 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. The Oregon State University Foundation (OSUF) was incorporated in 1947 to pursue and administer gifts and bequests in support of the university. The OSUF is responsible for all fundraising of the university and for the management of the majority of the university's endowments. The Agricultural Research Foundation (ARF) was incorporated in 1934 to encourage and facilitate research in all branches of agriculture and related fields for the benefit of Oregon's agricultural industries. The ARF is the custodian of privately and publicly donated research funds that support projects conducted by OSU scientists on campus, across the state, and by affiliated entities. Both foundations are nonprofit entities under Section 501(c)(3) of the Internal Revenue Code. The majority of resources that each foundation holds and invests are restricted to the activities of the university in accordance with donor intent, and can only be used by, or for the benefit of, OSU. These resources are significant to the operations of OSU, and the university routinely accesses them through various inter-company processes. See Note 21 University Foundations for additional information regarding the related foundations reported as Component Units.

### B. Financial Statement Presentation

The OSU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed in applicable pronouncements of the

Governmental Accounting Standards Board (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 OSU 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.

Financial statements of the OSU foundations for the fiscal years ended June 30, 2019 and 2018 are discretely presented as discussed above. The foundations' 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 consolidated and reported on separate pages following their respective financial statement counterparts of the university. No modifications have been made to the foundations' financial information included in the university's financial report.

### C. Basis of Accounting

For financial reporting purposes, OSU is considered a special-purpose government engaged only in business-type activities. Accordingly, the OSU 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

OSU implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. As a result of the implementation, OSU restated 2018 beginning net position on the Statement of Revenues, Expenses and Changes in Net Position by (\$2,265,697) and recorded expense related to the amortization of the associated deferred outflow of \$463,750 for the years ended June 30, 2019 and 2018. The cumulative impact of adoption on ending net position is (\$3,193,197) as of June 30, 2019. See Note 1 Section M, and Note 10 Asset Retirement Obligations for additional information.

#### **UPCOMING ACCOUNTING STANDARDS**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. 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. The Statement is effective for the fiscal year ending June 30, 2020, and will apply to custodial funds held primarily for student groups by the university.

In June 2017, GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 improves the accounting and financial reporting for leases and is effective for the fiscal year ended June 30, 2021. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased assets, 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.

Between July 2018 and June 2019, GASB issued the following statements which do not currently, but could under certain circumstances in the future, apply to OSU: Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 16 and No. 61*; Statement No. 91, *Conduit Debt Obligations*.

#### **D. Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The majority of the university's cash and cash equivalents are invested in the Oregon Short-Term Fund (OSTF), which is managed by the Oregon State Treasury, and provides daily liquidity. Cash and cash equivalents classified as current assets consist of: cash on hand, cash for current operations, cash held for the payment of the current portion of debt service, and cash held as a custodial agent for student groups. Cash and cash equivalents classified as non-current assets consist of student building fee cash held for future debt service and cash for capital construction projects. See Note 2 Cash and Investments, Section 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 and realized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position. See Note 13 Investment Activity for additional information. All investments are classified as noncurrent assets in the Statement of Net Position.

#### **F. Receivables**

Accounts receivable consists primarily of amounts due for tuition and fee charges to students, grants and contracts, 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. Capital construction receivables include amounts due from the state 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.

Notes receivable consist primarily of student loans receivable due from the federal Perkins Loan Program and from other loans administered by the university. Construction loans receivable are reimbursements receivable from the state in connection with allowable expenditures made pursuant to contracts between the university and the state for various facility projects initially funded by the university. Construction reimbursements can be current or long-term depending on the estimated timing of completion of associated construction projects. The university does not currently hold any notes receivable from the state related to construction reimbursements.

#### **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 acquisition value on the date donated. OSU capitalizes equipment with unit costs of \$5,000 or more and an estimated useful life greater than one year. OSU 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 \$50,000 to \$100,000, depending on the type of real property. Intangible assets valued in excess of \$100,000 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.

Prior to the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, OSU capitalized interest expense as part of the historical cost of acquiring capital assets. With the implementation of GASB Statement No. 89, effective for the fiscal year ended June 30, 2018, interest costs incurred before the end of a construction period are no longer

capitalized but are instead recorded as a cost of the period in which it is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. This is generally 50 years for buildings; 25 years for major renovations/additions to buildings; 10 to 20 years for infrastructure and land improvements; 5 to 11 years for non-expendable assets; and the useful life of the asset or term of the lease, whichever is less, for leasehold improvements. Amortization terms for intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to land, museum collections, works of art, 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 enterprise activities in which cash has been received, but revenues will be earned in the subsequent fiscal year(s).

### J. Compensated Absences

OSU 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.

### 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 Retirement Plan level and are allocated to employers based on their proportionate share. The university's proportionate share is allocated to OSU by the Oregon Department of Administrative Services. See note 16 Employee Retirement Plans for a detailed description of the liability and the proportionate share methodology.

### L. Net 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 17 Other Post-Employment Benefits (OPEB) for a detailed description of each plan and the proportionate share methodology for each.

### M. Asset Retirement Obligations

An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner; however, it does not encompass the

temporary idling of a tangible capital asset. OSU has legal obligations to perform future asset retirement activities related to two tangible capital assets and therefore recognizes a liability and corresponding deferred outflow of resources. The deferred outflows of resources will be amortized and expensed over the remaining life of the assets.

### N. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods, and have a positive effect on net position that is similar to assets, but are not considered assets. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods, and have a negative effect on net position that is similar to liabilities, but are not considered liabilities. Deferred outflows and inflows are related to defined benefit pension plans, defined benefit OPEB plans, asset retirement obligations, and net fair value gains or losses on forward foreign currency contracts. See Note 2 Cash and Investments, Section A Foreign Currency Risk-Deposits, Note 6 Deferred Outflows and Inflows of Resources, Note 10 Asset Retirement Obligations, Note 16 Employee Retirement Plans, and Note 17 Other Post-employment Benefits (OPEB).

### O. Net Position

OSU'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, plus unspent bond proceeds less outstanding debt obligations related to those capital assets.

#### **RESTRICTED - NONEXPENDABLE ENDOWMENTS**

Restricted-Nonexpendable Endowments 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 OSU is legally or contractually obligated to spend in accordance with restrictions stipulated by external parties.

#### **UNRESTRICTED**

Unrestricted net position represents resources that may be used at the discretion of the board.

### P. 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

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

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 often times split-funded from multiple restricted and unrestricted funding sources.

### Q. Endowments

The university manages timber and forestry land endowments, while all other endowments are managed by the OSU Foundation. The university endowment assets managed by the OSU Foundation are invested with the objectives of long-term capital appreciation and stable but growing income. The university board policy is to distribute 4.5 percent of the preceding 12-quarter moving average of the endowment market value for spending purposes.

Net appreciation of endowments is included in restricted expendable gifts, grants, and contracts on the Statement of Net Position.

Non-expendable endowments on the Statement of Net Position at June 30, 2019, represent the original corpus of true endowment funds of \$2,384,154 and the full non-expendable fair value of the real estate endowments of \$3,012,089. Non-expendable endowments on the Statement of Net Position at June 30, 2018, represent the original corpus of true endowment funds of \$2,384,154 and the full non-expendable fair value of the real estate endowments of \$3,575,364.

The university's endowments are identified and invested as follows (in thousands):

	June 30, 2019	June 30, 2018
<b>True Endowments</b>		
Corpus	\$ 2,384	\$ 2,384
Market Valuation	2,157	2,131
Real Estate	3,012	3,575
<b>Total</b>	<b>7,553</b>	<b>8,090</b>
<b>Quasi-Endowments</b>		
Corpus	18,784	18,569
Market Valuation	25,707	25,430
Real Estate	3,416	2,978
<b>Total</b>	<b>47,907</b>	<b>46,977</b>
<b>Total Fair Value of Endowments</b>	<b>\$ 55,460</b>	<b>\$ 55,067</b>
<b>Invested Endowments:</b>		
Timber and Forestry Land Held by OSU	\$ 6,429	\$ 6,553
Invested by OSU Foundation	48,272	47,976
Invested in the Public University Fund (PUF)	177	195
<b>Total Invested Endowments</b>	<b>54,878</b>	<b>54,724</b>
Endowment Cash in PUF	152	128
Long-Term Receivable from Casey Family Trust	430	215
<b>Total Fair Value of Endowments</b>	<b>\$ 55,460</b>	<b>\$ 55,067</b>

### R. Income Taxes

OSU is treated as a governmental entity for tax purposes. As such, OSU is generally not subject to federal and state income taxes. However, OSU 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 OSU was granted exemption from income taxes. No income tax is recorded because there are no income taxes due on unrelated business income during fiscal year 2019 and 2018.

### S. Revenues and Expenses

OSU 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.

Nonoperating revenues and expenses generally have the characteristics of nonexchange transactions. In a nonexchange transaction, OSU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include government appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital debt and bond expenses.

### T. State Support

OSU receives support from the state in the form of General Fund and Lottery appropriations, and debt service appropriations for some Oregon Department of Energy loans. See Note 14 Government Appropriations for details on appropriations.

In addition to appropriations, the state provides funding for plant facilities on the university's campuses. Capital projects for new facilities and capital improvements and repair are funded by gifts, state-paid debt, and university-paid debt and resources. The state 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 OSU and the state. Revenue is recorded as Capital Grants in the Statement of Revenues, Expenses and Changes in Net Posi-

tion when appropriate expenditures are reimbursable per the grant agreements. Funds for capital projects funded by university-paid debt can also be funded through Oregon's bonding capacity. At the time that the bonds are sold, the state instructs OSU to record a liability to the state 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 gifts, state-paid debt and university-paid debt are reflected as completed assets or construction in progress in the accompanying Statement of Net Position. University-paid debt relating to bonds issued by the state are primary obligations of the state. OSU is contractually committed to pay the state to fund the retirement of debt obligations issued on its behalf. These contracts are included as current and long-term liabilities in the Statement of Net Position.

### U. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprise revenues are reported net of scholarship 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 statements. 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.

OSU has three types of allowances that are netted against gross tuition and fees and housing revenues. Tuition and housing waivers, provided directly by OSU, amounted to \$42,746,331 and \$39,918,755 for the fiscal years ended 2019 and 2018, 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 \$41,975,377 and \$38,458,167 for the fiscal years ended 2019 and 2018, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be \$2,998,288 and \$2,212,736 for the fiscal years ended 2019 and 2018, respectively.

### V. Federal Student Loan Programs

OSU receives proceeds from the Federal Direct Student Loan Program (FDSLPL). Since OSU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the activity of the FDSLPL is not reported in operations. OSU disbursed fed-

eral student loans in the amount of \$137,888,710 and \$140,881,372 for the fiscal years ended 2019 and 2018, respectively.

### W. Deposit Liabilities

Deposit Liabilities primarily consist of fund balances held by OSU on behalf of student groups and organizations that account for activities in the OSU accounting system and whose cash is part of the cash held on deposit with the Oregon State Treasury.

### X. Perkins Loan Program Termination

OSU administers 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 U.S. Department of Education (ED) and were supplemented 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 as the U.S. Congress did not renew the program. The ED has given institutions the option of assigning existing Perkins loans back to the federal government or continuing to collect on them while returning FCC as loans are repaid. OSU has elected to continue to collect on Perkins loans and return the FCC as it is collected. Historically, the balance of the Perkins loans was reported in Notes Receivable and in Net Position Expendable for Student Loans. Due to the impending repayment of the FCC portion of the Perkins program to the ED as loans are collected, an accrued liability has been established for the amount of the remaining FCC due to the ED.

### Y. Related Party Transactions

During fiscal year 2018, OSU entered into a related party transaction with former head baseball coach Pat Casey and the Pat Casey Family Trust (PCFT). The parties have agreed to a split-dollar arrangement whereby Coach has agreed to reduce his salary by \$215,000 annually and the university is then loaning \$215,000 annually for fiscal years 2018 through 2022 to the PCFT at an annual interest rate of 2.66 percent. The PCFT is using the loan funds to purchase a life insurance policy on Pat Casey's wife. The term of the loan from the university to PCFT is 23 years, or upon the death of Mrs. Casey, whichever comes first. When the life insurance policy terminates, OSU will be reimbursed by the PCFT for the full principal amount of the loan plus accrued interest. The loan from OSU to PCFT is reported in non-current notes receivable.

### Z. Use of Estimates

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



## AA. Restatement of Prior Periods

The implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*, required the restatement of all prior periods presented in the financial statements. For fiscal year ended June 30, 2018, OSU recorded a deferred outflow of \$16,385,833 and an ARO liability of \$19,115,280 resulting in a \$2,265,697 reduction in beginning fiscal year 2018 net position. See Note 10 Asset Retirement Obligations for additional information.

The cumulative effect of applying GASB Statement No. 83 is reported as a restatement of beginning net position as of June 30, 2018 as follows (in thousands):

	June 30, 2018
Beginning Net Position, as Previously Reported	\$ 743,608
Retroactive GASB 83 Implementation	(2,266)
Beginning Net Position, Restated	<u>\$ 741,342</u>

## 2. CASH AND INVESTMENTS

At June 30, 2019 and 2018, the majority of the cash and investments of OSU were held in custody with the Oregon State Treasury (OST). The OST manages these invested assets through commingled investment pools. The operating funds for OSU are commingled with operating 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 OST and administered by the statutorily defined designated university. OSU is currently serving as the designated university for the PUF pool. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The OST 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, activities, and performance for each investment pool held in the PUF. Revenue bond proceeds are invested separately from operating funds, and are held in diversified, high quality and liquid fixed income securities.

Total cash and investments for the university includes both restricted and unrestricted amounts and are summarized as follows: (in thousands)

	June 30, 2019	June 30, 2018
Unrestricted	<b>\$ 90,745</b>	\$ 123,112
Bond Proceeds Reserved for Capital	<b>179,191</b>	68,885
Restricted For:		
Endowments	<b>55,030</b>	54,852
Gifts, Grants and Contracts	<b>26,180</b>	24,455
Capital	<b>60,245</b>	59,179
Student Aid	<b>10,884</b>	6,473
Debt Service	<b>7,256</b>	6,768
Payroll Withholdings	<b>24,353</b>	23,955
Student Groups and Campus Organizations	<b>563</b>	972
Perkins Title IV Cash	<b>4,251</b>	2,685
Petty Cash	<b>179</b>	175
Supplemental Retirement Plan Investment	<b>301</b>	152
Unrealized Gain/(Loss) on Investments	<b>3,948</b>	(2,778)
<b>Total Cash and Investments</b>	<b><u>\$ 463,126</u></b>	<b><u>\$ 368,885</u></b>

In general, deposits and investment securities as described below have exposure 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 full disclosure regarding cash and investments managed by the OST, a copy of the OST audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to <https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx#annualrep>

## A. Cash and Cash Equivalents

### DEPOSITS WITH OREGON STATE TREASURY

OSU maintains the majority of its current cash balances on deposit with the OST. These deposits are held on a pooled basis in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool available for use by all state agencies or by agreement for related agencies, such as OSU. The OST 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 OST to collateralize deposits

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

within 24 hours of receipt. At fiscal years ended June 30, 2019 and 2018, OSU cash and cash equivalents on deposit at OST were \$246,669,897 and \$118,803,333, respectively. Cash and cash equivalents on deposit at fiscal year ended June 30, 2019 include \$120,096,149 in unspent taxable revenue bonds held in a separate OST account in the OSTF.

### OTHER DEPOSITS

For the year ended June 30, 2019 and 2018, OSU had cash at U.S. Bank held for Title IV Perkins Loans of \$4,250,915 and \$2,685,019, respectively. Additionally, for the years ended June 30, 2019 and 2018, OSU had vault and petty cash balances of \$179,086 and \$174,628, 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. OSU cash balances held on deposit at the OST are invested continuously, therefore custodial credit risk exposure to the OST is low. Additionally, cash balances on deposit with U.S. Bank are collateralized, therefore invested continuously, resulting in low credit risk.

### FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. Per PUF policy, all deposits are in U.S. currency and therefore not exposed to foreign currency risk.

To facilitate study-abroad programs, there are some cash balances held in the local currency of other countries to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled \$143,794 and \$102,276 at June 30, 2019 and 2018, respectively. Amounts deposited in foreign bank accounts are reported as accounts receivable on the financial statements.

Historically, OSU periodically entered into forward foreign currency contracts. At June 30, 2018, these contracts totaled \$539,345. Contracts at June 30, 2018, had a net fair value loss of \$25,991. As of June 30, 2019, OSU no longer uses forward contracts and has changed to using a spot rate for currency conversion.

		June 30, 2018 (in thousands)				
Notional Currency	Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj.
EUR	\$ 380	\$ 554	7/2/2018	11/16/2018	\$ 1.2168	\$ (23)
JPY	8,291	84	7/2/2018	11/19/2018	0.0093	(3)

The net fair value loss is reported in deferred outflows of resources on the Statement of Net Position.

## B. Investments

OSU's operating funds are invested in the PUF. University investments in the PUF are invested in the Core Bond Fund

(CBF) managed by the OST. 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 majority of the university's endowment assets are managed by the OSU Foundation. These endowment assets are invested in the OSU Foundation's pooled endowment fund (fund) and directed by external investment managers. The fund is expected to operate in perpetuity and the investments are invested with a long-term horizon while maintaining a prudent level of risk. Additionally, the university manages timber and forestry land endowments and a land grant endowment invested in the PUF.

All investments are managed as a prudent investor would do, exercising reasonable care, skill and caution.

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 OSU's operating and endowment 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, 2019 and 2018.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. Earnings on investments from restricted fund sources are spent in accordance with the restrictions of the funding source.

OSU's investments are classified and invested as follows (in thousands):

	June 30, 2019	June 30, 2018
<b>Operating Funds</b>		
PUF Core Bond Fund	\$ 156,847	\$ 192,372
<b>Total Operating Funds</b>	<b>156,847</b>	192,372
<b>Endowment Funds</b>		
Invested by OSU Foundation	48,272	47,976
Timber and Forestry Land	6,429	6,553
PUF Core Bond Fund	177	195
<b>Total Endowment Funds</b>	<b>54,878</b>	54,724
Separately Held Investments	301	152
<b>Total Investments</b>	<b>\$ 212,026</b>	\$ 247,248

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

Investments of the OSU discretely presented component units are summarized at fair value as follows (in thousands):

	June 30, 2019	June 30, 2018
Investment Type:		
Global Equities	\$ 328,833	\$ 314,746
Global Fixed Income	107,812	105,677
Private Equity Partnerships	94,508	119,303
Absolute Returns	71,924	67,975
Real Assets	60,061	29,756
Corporate Stocks and Bonds	14,809	12,685
Real Estate Held for Investments	13,554	24,264
Government Securities and Municipal Bonds	12,242	12,326
Investment Receivables	376	1,028
Certificates of Deposit	-	194
Other	23,957	4,988
Total Investments	<u>\$ 728,076</u>	<u>\$ 692,942</u>

### CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OSU has separate investment policies for its operating and endowment assets. As of June 30, 2019, approximately 93.3 percent of the investments in the PUF CBF are subject to credit risk reporting. Fixed income securities in the PUF CBF 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 \$209,190,427. Fixed income securities which have not been evaluated by the rating agencies totaled \$106,501,809. The PUF CBF totaled \$338,347,950, of which OSU owned \$157,024,585, or 46.4 percent. Of the OSU endowments managed by the OSU Foundation and allocated to fixed income, all investments were held in mutual funds which have not been evaluated by the rating agencies.

As of June 30, 2018, approximately 92.6 percent of the investments in the PUF CBF are subject to credit risk reporting. Fixed income securities in the PUF CBF 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 \$269,463,400. Fixed income securities which have not been evaluated by the rating agencies totaled \$78,121,855. The PUF CBF totaled \$375,495,937, of which OSU owned \$192,566,260, or 51.3 percent. Of the OSU endowments managed by the OSU Foundation and allocated to fixed income, all investments were held in mutual funds which have not been evaluated by the rating agencies.

### CUSTODIAL CREDIT RISK—INVESTMENTS

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 OIC has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2019 and 2018, the university's investments

were exposed to custodial credit risk indirectly through the OST.

### CONCENTRATION OF CREDIT RISK

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

### FOREIGN CURRENCY RISK—INVESTMENTS

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Per PUF investment policy, all investments are to be in U.S. dollar denominated securities, therefore no amounts of the PUF investments had reportable foreign currency risk at June 30, 2019 or 2018.

Of the OSU Endowments invested by the OSU Foundation at June 30, 2019, \$13,545,068, or 28.1 percent, were held subject to foreign currency risk. At June 30, 2018, \$13,817,018, or 28.8 percent were held subject to foreign currency risk.

### 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, 2019, securities held in the PUF CBF subject to interest rate risk totaled \$315,692,236 and had an average duration of 3.39 years. Securities of the OSU Endowment investments held subject to interest rate risk totaling \$4,165,857 had an average duration of 5.22 years. As of June 30, 2018, securities held in the PUF CBF subject to interest rate risk totaled \$347,585,255 and had an average duration of 3.71 years. Securities of the OSU Endowment investments held subject to interest rate risk totaling \$5,613,164 had an average duration of 3.32 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 the OST, 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

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

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 OSU's investments in the PUF CBF are based on the investments' net asset value (NAV) per share provided by the Treasury. Fair value measurements for the university's investments in the PUF CBF at June 30 2019 and 2018 totaled \$157,024,585 and \$192,566,260, respectively.

As of June 30, 2019 and 2018, respectively, OSU's investment in timber and forestry land was valued at \$6,428,549 and \$6,553,054. This investment is a natural resource investment and is therefore required to be reported at fair value. In order to obtain the value of the timber and the land, a professional timber cruise is performed every five years, and interim valuations are conducted by professionals within the OSU College of Forestry every year-end. The periodic timber cruise and annual valuation is a level 3 input.

### COMPONENT UNIT INVESTMENTS BY LEVEL

The following tables present the component unit investments by level within valuation hierarchy as of June 30, 2019 and 2018:

	Assets at fair value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	\$ 226,112	\$ -	\$ -	\$ 226,112
Investment Property	-	-	13,554	13,554
Mortgages and Contracts	-	-	685	685
Other Nonpooled Investments	42,392	-	470	42,862
Total Investments	\$ 268,504	\$ -	\$ 14,709	\$ 283,213
Investments Measured at NAV				444,863
Total Investments				\$ 728,076

	Assets at fair value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	\$ 152,320	\$ 8,234	\$ 401,008	\$ 561,562
Investment Property	-	-	24,264	24,264
Mortgages and Contracts	-	-	3,787	3,787
Other Nonpooled Investments	40,456	-	62,873	103,329
Total Investments	\$ 192,776	\$ 8,234	\$ 491,932	\$ 692,942

### C. Securities Lending

In accordance with 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. OSU's cash on deposit with the OST is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2019 and 2018.

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 OST 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 re-invest cash collateral received on behalf of the OSTF and Oregon state agencies, including OSU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at \$1 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 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, 2019 and 2018, is effectively one day. As of June 30, 2019 and 2018, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the state.

## Notes to the Financial Statements

### For the Years Ended June 30, 2019 and 2018

The fair value of the university's share of securities lending balances on loan comprised the following (in thousands):

Investment Type	June 30, 2019	June 30, 2018
U.S. Treasury and Agency Securities	\$ 17,048	\$ 12,911
Domestic Fixed Income Securities	3,681	12,204
<b>Total</b>	<b>\$ 20,729</b>	<b>\$ 25,115</b>

The fair value of the university's share of total cash and securities collateral received as of June 30, 2019 and 2018, was \$21,150,206 and \$25,631,297, respectively. The fair value of the university's share of investments purchased with cash collateral as of June 30, 2019 and 2018, was \$12,630,808 and \$13,511,298, respectively.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable, including amounts due from component units, comprised the following (in thousands):

	June 30, 2019	June 30, 2018
Student Tuition and Fees	\$ 44,587	\$ 40,960
Federal Grants and Contracts	41,829	36,869
State, Other Government, and Private		
Gifts, Grants and Contracts	6,872	10,113
Auxiliary Enterprises and Other		
Operating Activities	12,921	14,885
State Capital Construction Grants	7,659	11,220
Component Units	12,881	9,658
Other	8,699	7,031
	<b>135,448</b>	<b>130,736</b>
Less: Allowance for Doubtful Accounts	(7,787)	(7,137)
Accounts Receivable, Net	<b>\$ 127,661</b>	<b>\$ 123,599</b>



### 4. NOTES RECEIVABLE

Student loans made through the Title IV Federal Perkins Loan Program are funded through interest earnings and repayment of loans. Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education (ED) for collection. Due to the termination of the Perkins loan program by the U.S. Congress, no new loans are allowed to be made and the federal capital contribution (FCC) portion of the loan program will be returned to the ED as loans are collected. See Note 1, Section X for additional information. OSU has provided an allowance for uncollectible loans which is calculated using the cohort default rate reported to the federal government.

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

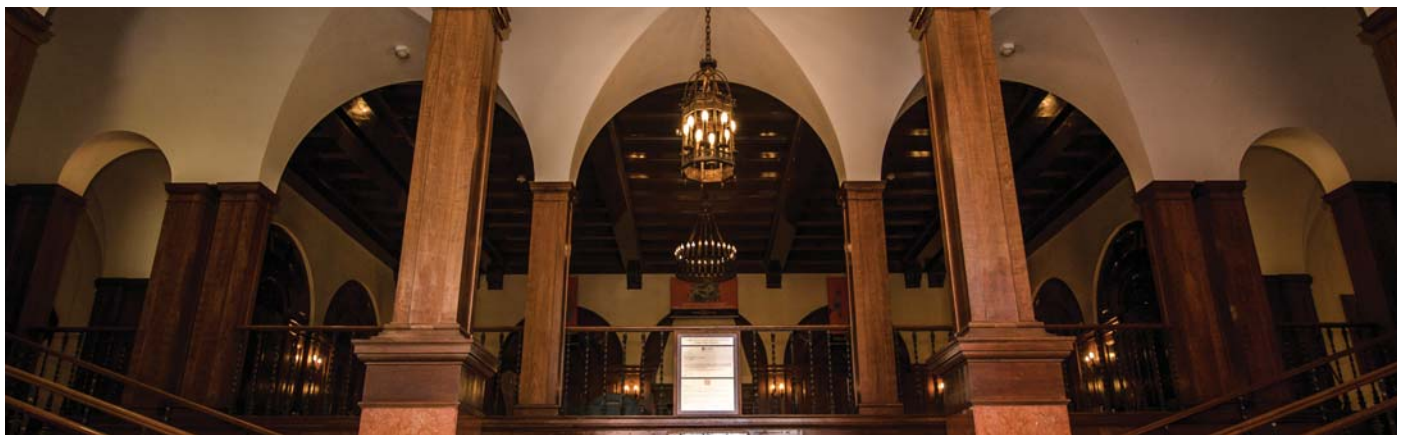
Notes receivable comprised the following (in thousands):

	June 30, 2019		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 147	\$ 540	\$ 687
Perkins Loans	4,236	19,061	23,297
Other	-	430	430
	<b>4,383</b>	<b>20,031</b>	<b>24,414</b>
Less: Allowance for Doubtful Accounts	(585)	(2,534)	(3,119)
Notes Receivable, Net	<b>\$ 3,798</b>	<b>\$ 17,497</b>	<b>\$ 21,295</b>
	June 30, 2018		
	Current	Noncurrent	Total
Institutional and Other			
Student Loans	\$ 157	\$ 598	\$ 755
Perkins Loans	4,990	22,435	27,425
Other	-	215	215
	<b>5,147</b>	<b>23,248</b>	<b>28,395</b>
Less: Allowance for Doubtful Accounts	(599)	(2,592)	(3,191)
Notes Receivable, Net	<b>\$ 4,548</b>	<b>\$ 20,656</b>	<b>\$ 25,204</b>

## 5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets (in thousands):

	Balance June 30, 2017	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2018	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2019
<b>Capital Assets, Non-depreciable/</b>									
<b>Non-amortizable:</b>									
Land	\$ 31,963	\$ 1,762	\$ -	\$ -	\$ 33,725	\$ 545	\$ -	\$ -	\$ 34,270
Capitalized Collections	29,595	445	-	(371)	29,669	297	-	(10)	29,956
Construction in Progress	31,521	71,989	(26,735)	223	76,998	98,166	(56,609)	(70)	118,485
Intangible Assets in Progress	144	-	-	-	144	-	-	-	144
<b>Total Capital Assets, Non-depreciable/Non-amortizable</b>	<b>93,223</b>	<b>74,196</b>	<b>(26,735)</b>	<b>(148)</b>	<b>\$ 140,536</b>	<b>99,008</b>	<b>(56,609)</b>	<b>(80)</b>	<b>182,855</b>
<b>Capital Assets, Depreciable/</b>									
<b>Amortizable:</b>									
Equipment	228,487	14,398	1,019	(8,951)	234,953	19,136	1,259	(10,163)	245,185
Library Materials	79,912	337	-	-	80,249	479	-	(525)	80,203
Buildings	1,407,952	21,199	11,527	-	1,440,678	11,304	52,030	-	1,504,012
Land Improvements	31,382	391	3,628	-	35,401	626	2,359	-	38,386
Improvements Other Than Buildings	12,982	174	-	-	13,156	-	525	-	13,681
Infrastructure	34,886	2,888	10,561	-	48,335	2,101	436	-	50,872
Intangible Assets	10,620	-	-	-	10,620	-	-	(125)	10,495
<b>Total Capital Assets, Depreciable/Amortizable</b>	<b>1,806,221</b>	<b>39,387</b>	<b>26,735</b>	<b>(8,951)</b>	<b>1,863,392</b>	<b>33,646</b>	<b>56,609</b>	<b>(10,813)</b>	<b>1,942,834</b>
<b>Less Accumulated Depreciation/</b>									
<b>Amortization for:</b>									
Equipment	(165,553)	(16,274)	-	8,154	(173,673)	(16,170)	-	8,690	(181,153)
Library Materials	(77,250)	(643)	-	(3)	(77,896)	(539)	-	436	(77,999)
Buildings	(475,748)	(35,126)	-	(40)	(510,914)	(37,555)	-	(12)	(548,481)
Land Improvements	(14,243)	(1,944)	-	(1)	(16,188)	(2,075)	-	(64)	(18,327)
Improvements Other Than Buildings	(9,966)	(552)	-	-	(10,518)	(492)	-	-	(11,010)
Infrastructure	(20,513)	(1,620)	-	-	(22,133)	(2,251)	-	-	(24,384)
Intangible Assets	(9,292)	(334)	-	-	(9,626)	(212)	-	125	(9,713)
<b>Total Accumulated Depreciation/ Amortization</b>	<b>(772,565)</b>	<b>(56,493)</b>	<b>-</b>	<b>8,110</b>	<b>(820,948)</b>	<b>(59,294)</b>	<b>-</b>	<b>9,175</b>	<b>(871,067)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,126,879</b>	<b>\$ 57,090</b>	<b>\$ -</b>	<b>\$ (989)</b>	<b>\$ 1,182,980</b>	<b>\$ 73,360</b>	<b>\$ -</b>	<b>\$ (1,718)</b>	<b>\$ 1,254,622</b>
<b>Capital Assets Summary</b>									
Capital Assets, Non-depreciable/ Non-amortizable	\$ 93,223	\$ 74,196	\$ (26,735)	\$ (148)	\$ 140,536	\$ 99,008	\$ (56,609)	\$ (80)	\$ 182,855
Capital Assets, Depreciable/ Amortizable	1,806,221	39,387	26,735	(8,951)	1,863,392	33,646	56,609	(10,813)	1,942,834
Total Cost of Capital Assets	1,899,444	113,583	-	(9,099)	2,003,928	132,654	-	(10,893)	2,125,689
Less Accumulated Depreciation/ Amortization	(772,565)	(56,493)	-	8,110	(820,948)	(59,294)	-	9,175	(871,067)
<b>Total Capital Assets, Net</b>	<b>\$ 1,126,879</b>	<b>\$ 57,090</b>	<b>\$ -</b>	<b>\$ (989)</b>	<b>\$ 1,182,980</b>	<b>\$ 73,360</b>	<b>\$ -</b>	<b>\$ (1,718)</b>	<b>\$ 1,254,622</b>



## 6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources comprised the following (in thousands):

	June 30, 2019	June 30, 2018
<b>Deferred Outflows of Resources</b>		
Pension		
Contributions Subsequent to the Measurement Date	\$ 28,059	\$ 27,936
Change in Proportionate Share	7,038	10,182
Difference Between Contributions and Proportionate Share of Contributions	237	213
Difference Between Expected and Actual Experience	10,284	14,212
Change in Assumptions	70,288	53,569
Net Difference Between Projected and Actual Earnings on Plan Investments*	-	3,028
OPEB		
Contributions Subsequent to the Measurement Date	2,309	2,247
Change in Proportionate Share	156	160
Difference Between Contributions and Proportionate Share of Contributions	42	-
Change in Assumptions	464	-
Asset Retirement Obligations	15,922	16,386
Net Fair Value Loss on Foreign Currency Forward Contracts	-	26
<b>Total Deferred Outflows of Resources</b>	<b>\$ 134,799</b>	<b>\$ 127,959</b>
<b>Deferred Inflows of Resources</b>		
Pension		
Change in Proportionate Share	\$ 15,244	\$ -
Difference Between Contributions and Proportionate Share of Contributions	4,209	6,288
Difference Between Projected and Actual Earnings on Plan Investments*	13,425	-
OPEB		
Difference Between Contributions and Proportionate Share of Contributions	41	47
Change in Proportionate Share	382	19
Difference Between Expected and Actual Experience	358	-
Change in Assumptions	286	332
Net Difference Between Projected and Actual Earnings on Plan Investments*	613	516
<b>Total Deferred Inflows of Resources</b>	<b>\$ 34,558</b>	<b>\$ 7,202</b>

\*Per GASB, deferred outflows of resources and deferred inflows of resources arising from the difference between projected and actual earnings on plan investments are netted and shown as either a net deferred outflow of resources or a net deferred inflow of resources.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following (in thousands):

	June 30, 2019	June 30, 2018
Services and Supplies	\$ 57,433	\$ 49,039
Payroll Related	21,942	21,614
Accrued Interest	9,601	8,530
Salaries and Wages	6,908	6,790
Contract Retainage	4,904	2,584
Total	<b>\$ 100,788</b>	<b>\$ 88,557</b>

\$20,844,780 and \$24,729,787 for the years ended June 30, 2019 and 2018, respectively. Accumulated depreciation totaled \$8,021,133 and \$10,172,474 for the years ended June 30, 2019 and 2018, respectively.

A significant portion of OSU's annual operating lease revenue and future lease receivables is derived from a lease between the university and INTO OSU, Inc., a separate legal entity wholly-owned by INTO Incorporated. INTO Incorporated is an international corporation that partners with universities to provide study-abroad programs in multiple countries including the US, UK and China. The current lease expires in October of 2041, and encompasses the International Living-Learning Center and several smaller campus buildings.

## 8. OPERATING LEASES

### A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to outside entities under noncancelable operating leases. Rental income received from leases was \$5,394,178 and \$5,442,166 for the years ended June 30, 2019 and 2018, respectively. The original cost of assets leased was

Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

Aggregate future minimum operating lease revenues at June 30, 2019 were (in thousands):

For the year ending June 30,		
2020	\$	4,670
2021		4,020
2022		2,368
2023		2,019
2024		1,781
2025-2029		8,967
2030-2034		7,991
2035-2039		8,057
2040-2044		8,857
2045-2049		3,149
2050-2054		2,958
2055-2059		477
2060-2064		5
Total Minimum Operating Lease Revenues	\$	<u>55,319</u>

**B. Payables/Expenses**

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were \$2,960,457 and \$1,759,451 for the years ended June 30, 2019 and 2018, respectively.

Future minimum operating lease payments at June 30, 2018 were (in thousands):

For the year ending June 30,		
2020	\$	3,619
2021		2,904
2022		2,501
2023		2,408
2024		2,382
2025-2029		8,558
2030-2034		1,191
Total Minimum Operating Lease Payments	\$	<u>23,563</u>





## 9. LONG-TERM LIABILITIES

Long-term liability activity was as follows (in thousands):

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	\$ 300,129	\$ 100	\$ (15,296)	\$ 284,933	\$ 13,682	\$ 271,251
Oregon Department of Energy Loans (SELP)	11,966	-	(734)	11,232	678	10,554
Revenue Bonds	181,310	140,000	(366)	320,944	367	320,577
Installment Purchases	9	24	(17)	16	8	8
Total Long-Term Debt	493,414	140,124	(16,413)	617,125	14,735	602,390
Other Noncurrent Liabilities						
Line of Credit	46,800	-	(25,250)	21,550	21,550	-
Notes Payable	586	-	(117)	469	117	352
PERS pre-SLGRP Pooled Liability	28,011	-	(2,154)	25,857	2,452	23,405
Compensated Absences	31,036	26,222	(25,809)	31,449	25,472	5,977
Employee Termination	1,295	86	(1,295)	86	86	-
Supplemental Retirement Plan	152	150	-	302	-	302
Perkins Loan Program Liability	21,676	302	-	21,978	3,996	17,982
Total Other Noncurrent Liabilities	129,556	26,760	(54,625)	101,691	53,673	48,018
<b>Total Long-Term Liabilities</b>	<b>\$ 622,970</b>	<b>\$ 166,884</b>	<b>\$ (71,038)</b>	<b>\$ 718,816</b>	<b>\$ 68,408</b>	<b>\$ 650,408</b>
	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	\$ 315,804	\$ 153	\$ (15,828)	\$ 300,129	\$ 15,296	\$ 284,833
Oregon Department of Energy Loans (SELP)	12,761	-	(795)	11,966	721	11,245
Revenue Bonds	108,972	72,705	(367)	181,310	366	180,944
Installment Purchases	23	9	(23)	9	6	3
Total Long-Term Debt	437,560	72,867	(17,013)	493,414	16,389	477,025
Other Noncurrent Liabilities						
Line of Credit	-	51,700	(4,900)	46,800	-	46,800
Note Payable	-	586	-	586	117	469
PERS pre-SLGRP Pooled Liability	29,764	-	(1,753)	28,011	1,754	26,257
Compensated Absences	31,924	24,656	(25,544)	31,036	23,397	7,639
Employee Termination	-	1,295	-	1,295	1,295	-
Supplemental Retirement Plan	-	152	-	152	-	152
Perkins Loan Program Liability	-	21,676	-	21,676	3,944	17,732
Total Other Noncurrent Liabilities	61,688	100,065	(32,197)	129,556	30,507	99,049
<b>Total Long-Term Liabilities</b>	<b>\$ 499,248</b>	<b>\$ 172,932</b>	<b>\$ (49,210)</b>	<b>\$ 622,970</b>	<b>\$ 46,896</b>	<b>\$ 576,074</b>

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

The schedule of principal and interest payments for OSU debt is as follows (in thousands):

For the Year Ending June 30,	Contracts Payable	SELP	Revenue Bonds	Other Borrowings	Total Payments	Principal	Interest
2020	\$ 27,116	\$ 1,185	\$ 12,126	\$ 8	\$ 40,435	\$ 13,612	\$ 26,823
2021	26,467	1,186	12,690	8	40,351	13,927	26,424
2022	25,934	1,185	12,690	-	39,809	14,156	25,653
2023	25,401	1,185	12,690	-	39,276	14,645	24,631
2024	25,164	1,186	12,690	-	39,040	15,052	23,988
2025-2029	117,464	5,927	63,449	-	186,840	77,984	108,856
2030-2034	94,792	3,144	63,449	-	161,385	72,157	89,228
2035-2039	59,122	-	63,449	-	122,571	47,326	75,245
2040-2044	28,851	-	106,911	-	135,762	70,349	65,413
2045-2049	-	-	201,202	-	201,202	160,005	41,197
2050-2054	-	-	115,564	-	115,564	106,795	8,769
Accreted Interest						1,253	(1,253)
						<u>\$ 607,261</u>	<u>\$ 514,974</u>
<b>Total Future Debt Service</b>	<b>430,311</b>	<b>14,998</b>	<b>676,910</b>	<b>16</b>	<b>1,122,235</b>		
Less: Interest Component of Future Payments	(145,378)	(3,766)	(365,830)	-	(514,974)		
<b>Principal Portion of Future Payments</b>	<b>284,933</b>	<b>11,232</b>	<b>311,080</b>	<b>16</b>	<b>607,261</b>		
Adjusted by:							
Net Unamortized Bond Premiums	-	-	9,864	-	9,864		
<b>Total Long-Term Debt</b>	<b>\$ 284,933</b>	<b>\$ 11,232</b>	<b>\$ 320,944</b>	<b>\$ 16</b>	<b>\$ 617,125</b>		

OSU has multiple sources of financing for capital construction projects and other purposes. The state periodically issues bonded debt which it then loans to the university for capital construction. OSU has entered into contractual loan agreements with the state for the repayment of principal and interest amounts due. In addition, OSU may also borrow funds from the Oregon Department of Energy through the Small-scale Energy Loan Program (SELP). The state may periodically issue new debt to refund previously held debt. Per the contract and loan agreements, when this occurs the state is required to pass the savings on to the university. OSU may also issue Revenue bonds as authorized by ORS 351.369.

### A. Contracts Payable

OSU has entered into contractual loan agreements with the state for repayment of debt instruments issued by the state on behalf of OSU for capital construction and refunding of previously issued debt. OSU makes loan payments (principal and interest) to the state in accordance with the loan agreements. Loans, with interest rates ranging from 0.95 percent to 7.00 percent, are due serially through 2044.

During the fiscal year ended June 30, 2019, the state did not issue any bonds that resulted in an increase or decrease to the university's contracts payable to the state. Changes to OSU's contracts payable to the state included debt service payments for principal of \$14,575,313 and the addition and deduction of \$99,931 and \$721,120, respectively, for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

During the fiscal year ended June 30, 2018, the state did not issue any bonds that resulted in an increase or decrease to the university's contracts payable to the state. Changes to OSU's contracts payable to the state included debt service payments for principal of \$14,434,387 and the addition and deduction of \$152,883 and \$1,393,891, respectively, for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

### B. Oregon Department of Energy Loans

OSU has entered into loan agreements with the Oregon Department of Energy (DOE) Small-scale Energy Loan Program (SELP) for energy conservation projects. OSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 4.03 percent to 5.15 percent, are due through 2032.

### C. Revenue Bonds

General Revenue Bonds, with bullet maturities, are due in fiscal years 2043 through 2052 and have effective yields ranging from 2.56 percent to 4.34 percent.

During the fiscal year ended June 30, 2019, OSU issued \$140,000,000 par value of taxable General Revenue Bonds. The General Revenue Series 2019 taxable bonds were sold at par with bullet maturities due in 2043, 2046, 2047, 2050, 2051 and 2052, and effective rates of 3.88 and 4.05 percent. Bond proceeds will be used to fund capital construction.

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

Other changes to the revenue bond liability during fiscal year 2019 included the amortization of \$366,406 in bond premium.

During the fiscal year ended June 30, 2018, OSU issued \$72,705,000 par value of taxable General Revenue Bonds.

These General Revenue Series 2017 taxable bonds were sold at par with bullet maturities due in 2048 and 2049, and an effective rate of 3.75 percent for the following capital construction projects:

- Renovation of Gilkey Hall
- Steam Line Replacement and Tunnel Extension
- Upper Division and Graduate Student Housing Projects
- Newport Housing Project
- Minor Capital Programmatic Improvements

Other changes to the revenue bond liability during fiscal year 2018 included the amortization of \$366,406 in bond premium.

### D. Line of Credit

During the fiscal year ended June 30, 2018, OSU executed a revolving credit agreement with U.S. Bank for \$50,000,000 to provide short-term financing for capital expenditures. Repayment of current borrowings is made upon receipt of anticipated gifts. The revolving credit agreement commitment expires on July 7, 2020.

During the fiscal year ended June 30, 2019, the university made payments totalling \$25,250,000, most of which was associated with the acquisition of the Research Way lab building.

During the fiscal year ended June 30, 2018, in anticipation of secured pledges, OSU drew the following amounts for the associated projects:

- |                             |              |
|-----------------------------|--------------|
| • Valley Football Center    | \$29,600,000 |
| • Athletic Capital Projects | \$2,300,000  |

Additionally, OSU drew \$19,800,000 to purchase the Research Way lab building.

Other changes to the line of credit liability during fiscal year 2018 included the payment of \$4,900,000 in principal.

As of June 30, 2019, OSU has \$28,450,000 of unused line of credit with U.S. Bank.

### E. Note Payable

During the fiscal year ended June 30, 2018, OSU entered into a promissory note to pay Samaritan Health Services, Inc. a total of \$585,892 in five equal annual payments of \$117,178 with the first payment due November 2018. The note arises from billing and payment errors between the university and Samaritan Health Services. There is no interest charged on the note and the note will be fully paid in fiscal year 2023. As of June 30, 2019, \$468,714 remains to be paid.

### F. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), 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 Pooled Liability was created. The pre-SLGRP Pooled 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, based on salaries and wages, to all public universities, state proprietary funds and the government-wide reporting fund in the state's comprehensive annual financial report. OSU paid interest expense on the liability in the amounts of \$1,852,372 and \$1,918,604 for June 30, 2019 and 2018, respectively. Principal payments of \$2,153,708 and \$1,753,105 were applied to OSU's liability for June 30, 2019 and 2018, respectively.

### G. Employee Termination

OSU had a severance agreement with one former employee relating to early termination of their employment contract. The payout of this liability will be complete in fiscal year 2020.

### H. Perkins Loan Program Liability

During fiscal year 2018, OSU established a liability for the Federal Capital Contributions (FCC) received from the U.S. Department of Education (ED) which funded the Perkins loan program. With the close-out of the Perkins loan program, the FCC is due back to the ED. OSU has elected to continue to collect on these loans and will return the FCC to the ED as it is collected. See Note 1 Organization and Summary of Significant Accounting Policies, Section X Perkins Loan Program Termination for additional information.

## 10. ASSET RETIREMENT OBLIGATIONS

In accordance with GASB Statement No. 83, Nuclear Regulatory Commission (NRC) regulations, and Environmental Protection Agency (EPA) regulations, OSU reported an asset retirement obligation (ARO) liability of \$19,115,280 for both the years ended June 30, 2019 and 2018. The remaining unamortized deferred outflow equaled \$15,922,083 and \$16,385,833, respectively, for 2019 and 2018.

### Teaching, Research, Isotopes, General Atomic (TRIGA) Reactor

In 1967, the university installed the Oregon State TRIGA Reactor (OSTR). The reactor is housed in the OSU Radiation Center and is primarily used for training students, performing various research projects and producing isotopes. The OSTR is licensed by the U.S. Nuclear Regulatory Commission

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

(NRC), which sets forth requirements that the university must adhere to, including those related to the decommissioning and retirement of the OSTR. See NRC regulations specific to decommissioning obligations at: <https://www.nrc.gov/waste/decommissioning/reg-guides-comm/regulations.html>

For the years ended June 30, 2019 and 2018, OSU reported an ARO liability of \$18,550,000 related to the OSTR. The remaining unamortized deferred outflow equaled \$15,922,083 and \$16,385,833, respectively, for 2019 and 2018. The method and assumptions used to measure the obligation were those set forth by the NRC in the series publication NUREG-1307, Revision 16 and 17. In November 2013, the university replaced the reflector component of the OSTR thereby extending the reactor's useful life by approximately 40 years. At June 30, 2019 and 2018, the OSTR had an estimated remaining useful life of 34.3 years and 35.3 years, respectively. Per the licensing agreement held between OSU and the NRC, OSU was required to submit a statement of intent regarding decommissioning funds. On July 31, 2007, OSU submitted such a letter stating that when a decision is made to terminate the facility license and decommission the facility, the university will request legislative appropriation of funds, or otherwise provide funds sufficiently in advance of decommissioning to prevent the delay of required activities. As of June 30, 2019, the university has made no decision to terminate the facility license nor made plans to decommission the facility. As such, no request for legislative funding has been made and no university assets have been restricted for payments related to the OSTR ARO liability.

### OSU Physical Plant Underground Storage Tank (UST)

In 1954, OSU installed an underground storage tank (UST) to fuel the operations of its Physical Plant heating facility, located on the university's Corvallis campus. The heating facility provided energy to most campus buildings until 2009 when the new OSU Energy Center was brought online. As the heating facility and the UST are no longer in service, the university has made plans to re-purpose the property upon which the heating facility and UST are currently located, and accordingly must remove the UST from the ground. The university expects to remove the UST during fiscal year 2020.

All USTs are regulated by the U.S. Environmental Protection Agency (EPA). The EPA enforces regulations over the operation, maintenance, reporting, record keeping, installation and closure of all USTs. Per 40 CFR 280.70 of the EPA UST regulations, OSU must empty and clean the UST by removing all liquids, dangerous vapor levels, and accumulated sludge. This work must be carried out carefully by trained professionals who follow standard safety practices.

See EPA regulations over USTs at: <https://www.epa.gov/ust/underground-storage-tanks-usts-laws-and-regulations>

For the years ended June 30, 2019 and 2018, the university reported an ARO liability for the UST of \$565,280. Bids from vendors who adhere to the EPA standard safety practices were used to calculate the ARO liability for the UST. At June 30, 2019 and 2018, the underground storage tank had no remaining useful life. No legally required funding, assurance provisions, or requirements to restrict assets exist for the UST ARO.

## 11. UNRESTRICTED NET POSITION

Unrestricted net position is comprised of the following (in thousands):

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
University Operations	<b>\$ 192,469</b>	\$ 204,512
Net Pension Liability, Net of Deferrals (See Notes 6 & 16)	<b>(219,289)</b>	(191,030)
Compensated Absences Liability	<b>(26,180)</b>	(26,000)
State and Local Government Rate Pool Liability (See Note 9)	<b>(25,857)</b>	(28,011)
Other Post-Employment Benefits Liabilities, Net of Deferrals (See Notes 6 & 17)	<b>(17,611)</b>	(17,467)
Asset Retirement Obligation, Net of Deferrals (See Notes 6 & 10)	<b>(3,193)</b>	(2,729)
Total Unrestricted Net Position	<b><u>\$ (99,661)</u></b>	<b><u>\$ (60,725)</u></b>

## 12. PLEDGED GENERAL REVENUES

The university implemented a General Revenue Bond Program in 2015 to provide funding for capital construction and other related projects. As security for this debt, OSU has pledged general revenues which include student tuition and fees, auxiliary enterprise revenues, education department sales and services and other university operating revenues, with certain exclusions as shown in the table below. Net pledged general revenues is calculated by deducting excluded and restricted revenues from total operating revenues, and adding beginning unrestricted net position adjusted for the excluded items. Pledged revenues are as follows (in thousands):

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total Operating Revenues	<b>\$ 837,939</b>	\$ 808,609
(Less):		
Student Building Fees	<b>(3,193)</b>	(3,295)
Student Incidental Fees	<b>(27,132)</b>	(27,616)
Federal Grants and Contracts	<b>(212,209)</b>	(203,740)
State and Local Grants and Contracts	<b>(9,979)</b>	(10,450)
Nongovernmental Grants and Contracts	<b>(23,491)</b>	(26,164)
Amounts Required to be Deposited or Paid for University-Paid State Bonds	<b>(27,228)</b>	(29,388)
Plus:		
Adjusted Beginning Unrestricted Net Position	<b>(73,909)</b>	(57,596)
General Revenues Pledged to Repay Revenue Bonds	<b><u>\$ 460,798</u></b>	<b><u>\$ 450,360</u></b>

### 13. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2019	June 30, 2018
Royalties and Technology Transfer Income	\$ 5,488	\$ 5,026
Investment Earnings	8,257	6,466
Endowment Income	1,728	1,796
Net Appreciation (Depreciation) of Investments	6,539	21
Gain (Loss) on Sale of Investments	(1,607)	(1,404)
Interest Income	881	387
Total Investment Activity	<u>\$ 21,286</u>	<u>\$ 12,292</u>

### 14. 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 and OPEB liabilities/(asset) as per GASB Statement Nos. 68, 71 and 75, significantly affects the reported compensation and benefit expenses of OSU. Changes in the pension and OPEB expenses and associated reporting requirements increased the reported compensation and benefit expenses of OSU by \$27,549,392 and \$35,337,201 for the fiscal years ended June 30, 2019 and 2018, respectively. The following displays operating expenses by both the functional and natural classifications (in thousands):

June 30, 2019	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	\$ 288,934	\$ 32,299	\$ 253	\$ 20	\$ 286	\$ 321,792
Research	145,527	67,876	2,754	17	25	216,199
Public Services	84,456	58,582	804	21	1,171	145,034
Academic Support	68,081	22,150	3	-	-	90,234
Student Services	27,850	5,722	2	21	56	33,651
Auxiliary Services	84,311	75,249	4,701	17,027	-	181,288
Institutional Support	64,196	27,078	5	-	-	91,279
Operation & Maint. of Plant	18,626	21,664	-	111	-	40,401
Student Aid	15	348	28,837	-	788	29,988
Other	3,595	17,897	-	42,077	(13)	63,556
<b>Total</b>	<b>\$ 785,591</b>	<b>\$ 328,865</b>	<b>\$ 37,359</b>	<b>\$ 59,294</b>	<b>\$ 2,313</b>	<b>\$ 1,213,422</b>

June 30, 2018	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	\$ 278,508	\$ 28,370	\$ 222	\$ 20	\$ 282	\$ 307,402
Research	150,379	62,974	3,092	-	32	216,477
Public Services	82,603	46,782	738	46	1,054	131,223
Academic Support	64,216	21,847	15	-	-	86,078
Student Services	29,281	6,956	18	-	58	36,313
Auxiliary Services	86,208	76,031	4,482	16,675	-	183,396
Institutional Support	61,697	25,780	5	-	-	87,482
Operation & Maint. of Plant	18,216	20,414	-	111	-	38,741
Student Aid	10	138	29,853	-	1,003	31,004
Other	2,940	9,893	-	39,641	13	52,487
<b>Total</b>	<b>\$ 774,058</b>	<b>\$ 299,185</b>	<b>\$ 38,425</b>	<b>\$ 56,493</b>	<b>\$ 2,442</b>	<b>\$ 1,170,603</b>

## 15. GOVERNMENT APPROPRIATIONS

OSU receives support from the state in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the university and SELP debt service. Appropriations for SELP debt service are based on the loan agreements between the university and the Oregon Department of Energy. Additionally, OSU receives state general fund, state forest product harvest tax (Harvest Tax), federal appropriations, and county appropriations in support of operations of the statewide public services, which include the agricultural experiment stations, cooperative extension services and forestry research laboratories. OSU also receives lottery appropriations in support of outdoor school operations for middle school children, which the cooperative extension service administers on behalf of the state. Government appropriations comprised the following (in thousands):

	June 30, 2019	June 30, 2018
General Fund - Education & General	\$ 135,743	\$ 125,434
General Fund - Statewide Public Services	63,449	60,961
General Fund - SELP Debt Service	1,073	1,073
Lottery Funding - Outdoor School	12,240	11,760
Lottery Funding - Sports Lottery	515	515
Harvest Tax	3,825	3,847
<b>Total State</b>	<b>\$ 216,845</b>	<b>\$ 203,590</b>
Federal Appropriations	9,228	10,988
County Appropriations	12,349	12,342
<b>Total Appropriations</b>	<b>\$ 238,422</b>	<b>\$ 226,920</b>

## 16. EMPLOYEE RETIREMENT PLANS

Oregon State University offers various defined benefit and defined contribution retirement plans to qualified employees as described below.

### A. Public Employees Retirement Plan (PERS)

#### ORGANIZATION

The 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 (PERS Board) to administer and manage the System.

#### PLAN MEMBERSHIP

PERS memberships prior to January 1, 1996 are Tier One members. 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. 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 retained 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 PERS 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 Annual Financial Report. PERS issues a separate, publicly available audited financial report 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: [www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](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.

#### SYSTEM BASIS OF ACCOUNTING

Contributions for 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.

#### PROPORTIONATE SHARE ALLOCATION METHODOLOGY

The basis for the employer's proportion of the statewide plan 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.

**PENSION PLAN LIABILITY**

The components of the Plan’s collective net pension liability as of the measurement dates of June 30, 2018 and 2017 are as follows (dollars in millions):

	June 30, 2018	June 30, 2017
<b>Collective Plan:</b>		
Total Pension Liability	\$ 84,476	\$ 79,852
Plan Fiduciary Net Position	69,327	66,372
Plan Net Pension Liability	\$ 15,149	\$ 13,480

**CHANGES SUBSEQUENT TO THE MEASUREMENT DATE**

The university is not aware of any changes to benefit terms or actuarial methods and assumptions subsequent to the June 30, 2018 measurement date.

**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) PENSION (CHAPTER 238) PROGRAM**

**PENSION BENEFITS**

The PERS retirement allowance is payable monthly for life. There are 13 retirement benefit options a retiring employee may select from. 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 COLA varies based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**OREGON PUBLIC SERVICE RETIREMENT PLAN (OP-SRP 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.

**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 IAP and may be amended by an act of the Oregon Legislature. The PERS and OPSRP funding policies provide 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 Post-Employment Benefit Plans.

Employer contribution rates for the fiscal year ended June 30, 2019 and 2018 were based on the December 31, 2015 actuarial valuation. The employer contribution rates for PERS and OPSRP are as follows:

	<u>2019</u>	<u>2018</u>
Base Tier One/Two Rate	15.09%	15.09%
SLGRP Rate	1.76%	1.76%
RHIA/RHIPA OPEB Rate	0.99%	0.99%
<b>Total PERS Tier One/Two Rate</b>	<b><u>17.84%</u></b>	<b><u>17.84%</u></b>
Base OPSRP Rate	8.21%	8.21%
SLGRP Rate	1.76%	1.76%
RHIA/RHIPA OPEB Rate	0.81%	0.81%
<b>Total OPSRP Rate</b>	<b><u>10.78%</u></b>	<b><u>10.78%</u></b>

The university’s required employer contributions for PERS and OPSRP for the years ended June 30, 2019 and 2018, were \$34,373,599 and \$33,853,548, respectively, including amounts to fund employer specific liabilities.

**FEDERAL CIVIL SERVICE RETIREMENT**

Some OSU Extension Service employees hold federal appointments. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act (FICA), CSRS employee deduction of 7.0 percent, and employer contribution of 7.0 percent, and are also eligible for optional membership in PERS.

The Federal Employees Retirement System (FERS), a defined benefit plan, was created beginning January 1, 1987. Employees on federal appointment hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8 percent with an employer contribution rate of 13.7 percent. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate.

The university’s required employer contributions for CSRS and FERS for the years ended June 30, 2019 and 2018, were \$265,294 and \$279,797, respectively.

**NET PENSION LIABILITY**

At June 30, 2019, the university reported a liability of \$302,317,305 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, rolled forward to the measurement date. At June 30, 2018, the university reported a liability of \$293,881,485 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to the measurement date. The PERS system does not provide OSU 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 OSU’s proportionate share of all state agencies internally based on actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, OSU’s proportion was 2.00 and 2.18 percent, respectively, of the statewide pension plan.

For the years ended June 30, 2019 and 2018, OSU recorded total pension expense of \$56,319,691 and \$64,361,101,



## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

respectively, due to the change in net pension liability, changes to deferred outflows and deferred inflows, and amortization of previously deferred amounts.

### DEFERRED ITEMS

Most deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. However, changes in employer proportion and the difference between employer contributions and proportionate share of contributions are calculated at the employer level. For fiscal years ending June 30, 2019 and 2018, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual pension plan investment earnings
- Changes in employer proportion since the prior measurement date
- 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 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, 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 pension 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 pension expense for fiscal years 2019 and 2018.

At June 30, 2019, OSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 10,284	\$ -
Change in Assumptions	70,288	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(13,425)
Change in Proportionate Share	7,038	(15,244)
Differences Between Contributions and Proportionate Share of Contributions	237	(4,209)
Total	<u>\$ 87,847</u>	<u>\$ (32,878)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	54,969	
Contributions Subsequent to the MD	<u>28,059</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 83,028</u>	

Of the amount reported as deferred outflows of resources, \$28,059,238 are related to 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.

At June 30, 2018, OSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 14,212	\$ -
Change in Assumptions	53,569	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,028	-
Change in Proportionate Share	10,182	-
Differences Between Contributions and Proportionate Share of Contributions	213	(6,288)
Total	<u>\$ 81,204</u>	<u>\$ (6,288)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	74,916	
Contributions Subsequent to the MD	<u>27,936</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 102,852</u>	

Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

Of the amount reported as deferred outflows of resources, \$27,935,620 are related to contributions subsequent to the measurement date and are recognized as a reduction of the net pension liability in the year ended June 30, 2019.

As of June 30, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30:	
2019	\$ 35,482
2020	24,459
2021	(6,163)
2022	133
2023	1,058
	<u>\$ 54,969</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, 2019	June 30, 2018
Valuation Date	December 31, 2016	December 31, 2015
Measurement Date	June 30, 2018	June 30, 2017
Experience Study Report	2016, published July 2017	2014, published September 2015
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount Rate	7.20 percent	7.50 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.	RP-2000 Sex-distinct, generational per Scale BB, 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.	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
Mortality	<i>Disabled retirees:</i>	
	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.

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 June 30, 2019 and 2018 was 7.20 and 7.50 percent, respectively. 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.

**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 presents the university’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent as of June 30, 2019 and 7.50 percent as of June 30, 2018, 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 (in thousands):

	June 30, 2019	June 30, 2018
1% Decrease 6.2%/6.5%	\$505,229	\$500,828
Current Discount Rate 7.2%/7.5%	302,317	293,882
1% Increase 8.2%/8.5%	134,830	120,836

**DEPLETION DATE PROJECTION**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, 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 Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB Statement No. 68 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 assumptions.
- GASB Statement 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 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. 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.

**ASSUMED ASSET ALLOCATION**

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	13.50	21.50	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 %

**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 on the next page 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 comprehensive annual financial reports at:

[www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx)

**LONG-TERM EXPECTED RATE OF RETURN BY ASSET CLASS**

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	6.6
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50%

**BOND DEBT**

The retirement bond debt service assessment was authorized by the 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 2019 was 6.2 percent. The assessment rate for fiscal year 2018 was 6.0 percent through October 31, 2017 and was increased to 6.2 percent effective November 1, 2017. Payroll assessments paid by OSU for the fiscal years ended June 30, 2019 and 2018, were \$16,456,058 and \$15,699,309, respectively.

**B. Other Retirement Plans**

**OPTIONAL RETIREMENT PLAN**

The 1995 Oregon Legislature enacted legislation that authorized the university to offer a defined contribution

retirement plan as an alternative to PERS. A Retirement Plan Committee was appointed 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.

The employer contribution rates for the ORP are as follows:

	2019	2018
Tier One/Two	<b>23.68%</b>	23.68%
Tier Three	<b>9.29%</b>	9.29%
Tier Four	<b>8.00%</b>	8.00%

**OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN**

Eligible ranked faculty participate in the TIAA retirement program, a defined contribution plan, on all salary in excess of \$4,800 dollars per calendar year. Employee and employer contributions are directed to PERS on the first \$4,800 of salary. 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.

**FEDERAL CIVIL SERVICE RETIREMENT - THRIFT SAVINGS PLAN**

OSU Extension Service employees that hold federal appointments can also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1 percent. Employees may also contribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

the employer contributes at a variable rate up to 5 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

### SUPPLEMENTAL RETIREMENT PLANS (SRP)

During fiscal year 2018, per direction and authorization from the board of trustees, OSU established a supplemental retirement plan for eligible employees who have been designated to become a participant in the plan. The supplemental plan has two parts: a 403(b) defined contribution plan and a 415(m) excess benefit plan. Investments of the 403(b) plan are invested as directed by the employee. The 415(m) plan assets are invested and managed by TIAA. The university has recorded an investment for the balance managed by TIAA as well as an offsetting liability for the amount that will be payable to the employee upon completion of their contract.

No changes were made to the supplemental retirement plans during fiscal year 2019.

During the fiscal year ended June 30, 2019, the university contributed \$149,200 to the 415(m) plan, and \$30,500 to the employees' 403(b) plan. During the fiscal year ended June 30, 2018, the university contributed \$152,431 to the 415(m) plan, and \$30,000 to the employees' 403(b) plan.

### SUMMARY OF OTHER PENSION PAYMENTS

OSU's total payroll for the year ended June 30, 2019 was \$519,563,318, of which \$191,025,223 was subject to defined contribution retirement plan contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2019			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 14,498	7.59%	\$ 11,661	6.10%
TIAA	57	0.03	57	0.03
FERS - TSP	77	0.04	188	0.10
SRP	180	0.09	-	0.00
<b>Total</b>	<b>\$ 14,812</b>	<b>7.75%</b>	<b>\$ 11,906</b>	<b>6.23%</b>

Of the employee share, OSU paid \$9,331,481 of the ORP and \$56,793 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2019. The FERS-TSP contributions of \$188,428 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2019.

OSU's total payroll for the year ended June 30, 2018 was \$502,839,495, of which \$173,609,733 was subject to defined contribution retirement plan contributions.

The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2018			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	\$ 16,929	9.75%	\$ 8,762	5.05%
TIAA	54	0.03	54	0.03
FERS - TSP	78	0.04	193	0.11
SRP	182	0.11	-	0.00
<b>Total</b>	<b>\$ 17,243</b>	<b>9.93%</b>	<b>\$ 9,009</b>	<b>5.19%</b>

Of the employee share, OSU paid \$8,761,803 of the ORP and \$54,110 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2018. The FERS-TSP contributions of \$193,393 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2018.

## 17. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

### A. Public Employees Retirement Plans (PERS)

#### PLAN DESCRIPTION

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 post-employment 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 16 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 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: [www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employers participating in RHIA and RHIPA plans 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 Post-employment 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 for OPEB and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources.

#### BASIS OF ACCOUNTING

The financial statements for the PERS OPEB plans are prepared using 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.

#### PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

#### OPEB TOTAL PLAN (ASSET) LIABILITY

The components of the collective Net OPEB liability (asset) for the OPEB plans as of the measurement dates of June 30, 2018 and June 30, 2017 are as follows (in millions):

	June 30, 2018	June 30, 2017
<b>Net OPEB - RHIA (Asset)</b>		
Total OPEB - RHIA Liability	\$ 465.2	\$ 470.0
Plan Fiduciary Net Position	576.8	511.8
Plan Net OPEB - RHIA (Asset)	<b>\$ (111.6)</b>	<b>\$ (41.8)</b>
<b>Net OPEB - RHIPA Liability</b>		
Total OPEB - RHIPA Liability	\$ 70.3	\$ 70.9
Plan Fiduciary Net Position	35.0	24.3
Plan Net OPEB - RHIPA Liability	<b>\$ 35.3</b>	<b>\$ 46.6</b>

#### CHANGES SUBSEQUENT TO THE MEASUREMENT DATE

The university is not aware of any changes to benefit terms or actuarial methods and assumptions subsequent to the June 30, 2018 measurement date.

#### CONTRIBUTIONS

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2019 and 2018, the university contributed 0.07 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 contributed 0.43 percent 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 university's required employer contributions for the years ended June 30, 2019 and 2018 were approximately \$1,204,708 and \$1,171,032, respectively. The actual contribution equaled the annual required contribution for the year.

For the fiscal years ended June 30, 2019 and 2018, the university contributed 0.11 percent 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 0.38 percent 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 university's required employer contributions for the years ended June 30, 2019 and 2018 were approximately \$1,103,573 and \$1,076,546, respectively. The actual contribution equaled the annual required contribution for the year.

## NET OPEB ASSET/LIABILITY

### a. RHIA

At June 30, 2019, the university reported an asset of \$2,626,012 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. At June 30, 2018, the university reported an asset of \$1,027,381 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide OSU 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 OSU's proportionate share of all state agencies internally based on actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and June 30, 2018, OSU's proportion was 2.35 and 2.46 percent of the statewide OPEB plan, respectively.

For the years ended June 30, 2019 and 2018, OSU recorded OPEB related expense of (\$233,541) and (\$1,664), respectively due to changes in the net RHIA OPEB asset, deferred outflows and deferred inflows, and amortization of previously deferred amounts.

### b. RHIPA

For the year ended June 30, 2019, the university reported a liability of \$2,820,513 for its proportionate share of the 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. For the year ended June 30, 2018, the university reported a liability of \$3,717,755 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide OSU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PERS employer state agencies. DAS calculated OSU's proportionate share of all state agencies internally based on actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and June 30, 2018, OSU's proportion was 7.98 and 7.97 percent, respectively, of the statewide OPEB plan, respectively.

For the years ended June 30, 2019 and 2018, OSU recorded OPEB related expense of \$341,955 and \$422,518, respectively, due to changes in the net RHIPA OPEB liability, deferred outflows and deferred inflows, and amortization of previously deferred amounts.

## DEFERRED ITEMS

### a. RHIA

Most deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. However, changes in employer proportion and the difference between employer contributions and proportionate share of contributions are calculated at the employer level. For fiscal years ending June 30, 2019 and 2018, deferred items include:

- Difference between expected and actual experience
- Difference due to changes in assumptions
- Net difference between projected and actual OPEB plan investment earnings
- Changes in employer proportion since the prior measurement date
- 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 change 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 the measurement period are as follows:

- Measurement period ended June 30, 2018 - 3.3 years
- Measurement period ended June 30, 2017 - 3.7 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 2019 and 2018.

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

At June 30, 2019, OSU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ (149)
Change in Assumptions	-	(8)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(566)
Change in Proportion	29	-
Difference Between Fund Contributions and Proportionate Share of Contributions	29	(25)
Total	<u>\$ 58</u>	<u>\$ (748)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(690)	
Contributions Subsequent to the MD	<u>1,205</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 515</u>	

Of the amount reported as deferred outflows of resources, \$1,204,708 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, 2020.

At June 30, 2018, OSU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ -	\$ (476)
Change in Proportion	20	-
Difference Between Fund Contributions and Proportionate Share of Contributions	-	(39)
Total	<u>\$ 20</u>	<u>\$ (515)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(495)	
Contributions Subsequent to the MD	<u>1,171</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 676</u>	

Of the amount reported as deferred outflows of resources, \$1,171,032 are related to contributions subsequent to the measurement date and are recognized as an increase of the net OPEB asset in the year ended June 30, 2019.

As of June 30, 2019, 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 (in thousands):

Year Ended June 30:	
2019	\$ (226)
2020	(223)
2021	(185)
2022	(56)
	<u>\$ (690)</u>

### b. RHIPA

Most deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. However, changes in employer proportion and the difference between employer contributions and proportionate share of contributions are calculated at the employer level. For fiscal years ending June 30, 2019 and 2018, deferred items include:

- Difference between expected and actual experience
- Difference due to changes in assumptions
- Net difference between projected and actual OPEB plan investment 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 assumptions, and change 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 the measurement period are as follows:

- 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 2019 and 2018.



Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

At June 30, 2019, OSU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ (209)
Change in Assumptions	29	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(47)
Change in Proportion	6	(6)
Difference Between Fund Contributions and Proportionate Share of Contributions	13	(16)
Total	<u>\$ 48</u>	<u>\$ (278)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(230)	
Contributions Subsequent to the MD	<u>1,104</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 874</u>	

Of the amount reported as deferred outflows of resources, \$1,103,573 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.

At June 30, 2018, OSU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ -	\$ (40)
Change in Proportion	-	(19)
Difference Between Fund Contributions and Proportionate Share of Contributions	-	(8)
Total	<u>\$ -</u>	<u>\$ (67)</u>
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(67)	
Contributions Subsequent to the MD	<u>1,076</u>	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	<u>\$ 1,009</u>	

Of the amount reported as deferred outflows of resources, \$1,076,546 are related to contributions subsequent to the measurement date and are recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

As of June 30, 2019, 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 (in thousands):

Year Ended June 30:	
2019	\$ (46)
2020	(46)
2021	(46)
2022	(36)
2023	(31)
Thereafter	<u>(25)</u>
	<u>\$ (230)</u>



**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.

The following key methods and assumptions were used to measure the total RHIA OPEB asset:

Actuarial Methods and Assumptions:		
	RHIA	
	June 30, 2019	June 30, 2018
Valuation Date	December 31, 2016	December 31, 2015
Measurement Date	June 30, 2018	June 30, 2017
Experience Study Report	2016, published July 2017	2014, published September 2015
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount Rate	7.20 percent	7.50 percent
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 38%; Disabled retirees: 20%	
Healthcare Cost Trend Rate	Not applicable	
Mortality	<i>Healthy retirees and beneficiaries:</i>	
	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.	
	<i>Active members:</i>	
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.	
Mortality	<i>Disabled retirees:</i>	
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.	

The following key methods and assumptions were used to measure the total RHIPA OPEB liability:

Actuarial Methods and Assumptions:		
	RHIPA	
	June 30, 2019	June 30, 2018
Valuation Date	December 31, 2016	December 31, 2015
Measurement Date	June 30, 2018	June 30, 2017
Experience Study Report	2016, published July 2017	2014, published September 2015
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount Rate	7.20 percent	7.50 percent
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 38%; Disabled retirees: 20%	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service
Healthcare Cost Trend Rate	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.	Applied at beginning of plan year, starting with 6.3% for 2016, decreasing to 5.3% for 2019, increasing to 6.5% for 2029, and decreasing to an ultimate rate of 4.4% for 2094 and beyond.
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	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</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	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
Mortality	<i>Disabled retirees:</i>	
	RP-2014 Healthy annuitant, 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/(asset) at June 30, 2019 and 2018 was 7.20 and 7.50 percent, respectively. 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 discount rate of 7.20 percent as of June 30, 2019 and 7.50 percent as of June 30, 2018, 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 (in thousands):

Discount Rate	RHIA		RHIPA	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
1% Decrease 6.2%/6.5%	(\$1,529)	\$143	\$3,163	\$4,108
Current Discount Rate 7.2%/7.5%	(2,626)	(1,027)	2,821	3,718
1% Increase 8.2%/8.5%	(3,560)	(2,023)	2,430	3,357

The sensitivity analysis below shows the sensitivity of the university's proportionate share of the net OPEB liability/(asset) calculated using the current healthcare cost trend rates, as well as what the net OPEB liability/(asset) 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 (in thousands):

Healthcare Cost Rate	RHIA		RHIPA	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
1% Decrease	(\$2,626)	(\$1,027)	\$2,284	\$3,208
Current Trend Rate	(2,626)	(1,027)	2,821	3,718
1% Increase	(2,626)	(1,027)	3,346	4,296

**ASSUMED ASSET ALLOCATION**

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	13.50	21.50	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 %

**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](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx)

Long-term expected rate of return by asset class 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 Post-employment 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 assumptions.
- 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 rate of return was used to discount the liability.

### B. Public Employees' Benefit Board (PEBB) PLAN DESCRIPTION

OSU participates in a defined benefit post-employment 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 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 Post-employment 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.

### 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 by all employers in the fiscal year.

### TOTAL OPEB LIABILITY

At June 30, 2019, the university reported a liability of \$16,081,954 for its proportionate share of the total OPEB liability. The total 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. At June 30, 2018, the university reported a liability of \$15,242,440 for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2018 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. PEBB does not provide OSU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PEBB participating employers. DAS calculated OSU's proportionate share of all participating employers internally based on actual contributions by OSU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, OSU's proportion was 9.98 and 10.26 percent, respectively, of participating employers.

For the year ended June 30, 2019 and 2018, OSU recorded total PEBB OPEB related expense of \$1,488,767 and

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

\$1,479,708, respectively, due to the changes to the total OPEB liability and deferred inflows, and amortization of previously deferred amounts.

### DEFERRED ITEMS

Most deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. However, changes in employer proportion is calculated at the employer level. For the measurement period ended June 30, 2019 and 2018, there were:

- Changes in assumptions
- Changes in employer proportion since the prior measurement date

Changes in assumption and changes in employer 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, is determined as of the beginning of each measurement period. The average remaining service lives determined as of the beginning of the measurement period for measurement periods ending June 30, 2019 and 2018 was 8.2 years.

One year of amortization is recognized in the university's total OPEB expense for fiscal years 2019 and 2018.

At June 30, 2019, OSU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Assumptions	\$ 435	\$ (278)
Change in Proportion	121	(376)
Total	<u>556</u>	<u>(654)</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ (98)</u>	

At June 30, 2018, OSU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Assumptions	\$ -	\$ (332)
Change in Proportion	140	-
Total	<u>140</u>	<u>(332)</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ (192)</u>	

As of June 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ended June 30:	
2019	\$ (17)
2020	(17)
2021	(17)
2022	(17)
2023	(17)
Thereafter	(13)
	<u>\$ (98)</u>

### 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.

The following key methods and assumptions were used to measure the total OPEB liability:

Actuarial Methods and Assumptions:		
	June 30, 2019	June 30, 2018
Valuation Date	July 1, 2017	July 1, 2017
Measurement Date	June 30, 2019	June 30, 2018
<b>Actuarial Assumptions:</b>		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Discount Rate	3.50 percent	3.87 percent
Projected Salary Increases	3.50 percent	
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation	
Healthcare Cost Trend Rate	<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	
Election and lapse rates	<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	

### 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, 2019 and 2018 reporting date was 3.50 and 3.87 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 discount rate of 3.50 percent as of June 30, 2019 and 3.87 percent as of June 30, 2018, as well as

## Notes to the Financial Statements For the Years Ended June 30, 2019 and 2018

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 as of June 30, 2019 and 2018 (in thousands):

Discount Rate	June 30, 2019	June 30, 2018
1% Decrease 2.50%/2.87%	<b>\$17,499</b>	\$16,587
Current Discount Rate 3.50%/3.87%	<b>16,082</b>	15,242
1% Increase 4.50%/4.87%	<b>14,778</b>	14,009

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 as of June 30, 2019 and 2018 (in thousands):

Healthcare Rate	June 30, 2019	June 30, 2018
1% Decrease	<b>\$14,012</b>	\$13,430
Current Trend Rate	<b>16,082</b>	15,242
1% Increase	<b>18,568</b>	17,406

### 18. RISK FINANCING

OSU is a member of the Public Universities Risk Management and Insurance Trust (PURMIT). PURMIT is a separate legal entity that provides risk management and insurance support to its member universities (Member). PURMIT is governed by a Board of Trustees comprised of one representative from each Member. PURMIT carries out its mission through a combination of risk transfer and risk retention. PURMIT operates a self-insurance program for property and casualty lines under which each Member may select their own deductible. PURMIT also procures insurance and excess insurance, purchases specialty insurance lines, and provides administrative and operational services.

PURMIT is funded by annual Member assessments that are based on exposure, premium costs, expected claims, and operational costs, which are outlined in a Risk Allocation Model, and based on sound actuarial analysis.

As a Member of PURMIT, OSU transfers the following insurable risks to PURMIT and insurance companies:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents
- Workers' Compensation and Employer's Liability
- Crime, Fiduciary and Network Security

- Specialty lines of coverage for marine, medical practicums, intercollegiate athletics, international travel, camps and clinics, day care, aviation exposures, and other items

OSU has a deductible of \$100,000 per occurrence/claim to PURMIT on property and casualty claims, and various deductibles on other insurance and specialty insurance lines. Annually, OSU sets aside pre-loss funding in advance to pay for the claims that are expected for that policy year. The amount of settlements has not exceeded insurance coverage since PURMIT was established in June of 2014.

### 19. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed, and planned but not initiated construction projects totaled approximately \$357,693,076 at June 30, 2019. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OSU funds.

During fiscal year 2019, the OSU Board of Trustees approved \$9 million in funding to begin work on the reclamation project for the 46-acre pumice mine site that OSU purchased in fiscal year 2018. The reclamation project will be completed under the same contracted construction development project for the site development of the Cascades Campus academic building 2, which received board approval for funding in the amount of \$4.5 million, for a total project cost of \$13.5 million. Funding for both project sites will come from State of Oregon XI-Q bonds, with an anticipated completion date sometime in the summer of 2020.

In conjunction with capital construction projects at the Corvallis campus, OSU has signed a memorandum of understanding with the city of Corvallis that requires the university to submit a corridor improvement plan for frontage improvement along Washington Way between 35th Street and 26th Street. The university is required to submit the corridor improvement plan to the city for review and approval no later than December 31, 2019. Once the plan is approved by the city, OSU will be required to provide security pursuant to a bond, letter of credit or other financial assurance to cover 135% of the anticipated \$22 million cost of the frontage improvement project. The frontage improvement project must be completed by December 31, 2022.

OSU 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.

OSU 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

Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

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 657. OSU 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 OSU cannot be reasonably determined at June 30, 2019.

**20. SUBSEQUENT EVENTS**

OSU management has reviewed events and transactions that occurred subsequent to the Statement of Net Position date of June 30, 2019, and found none that required adjustment or disclosure in the financial statements.

**21. UNIVERSITY FOUNDATIONS**

The university’s two related foundations are the OSU Foundation (OSUF) and the Agricultural Research Foundation (ARF). The foundations were established to provide assistance in fund raising, public outreach and other support for the mission of OSU. The OSUF was incorporated in 1947 to encourage, receive, and administer gifts and bequests for the support of the university and is responsible for all fundraising of the university as well as management of the majority of the university’s endowments. The ARF was incorporated in 1934 to encourage and facilitate research in all branches of agriculture and related fields for the benefit of Oregon’s agricultural industries. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although OSU does not control the timing or amount of receipts from the foundations or income thereon, the majority of resources that each foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of the university, the foundations are considered

component units of OSU and are discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2019 and 2018. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

During the years ended June 30, 2019 and 2018, gifts of \$78,709,385 and \$69,082,191, respectively, were transferred from the foundations to OSU.

The OSUF and ARF implemented FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for fiscal year ending June 30, 2019. As a result, the foundations now present two classes of net assets in their consolidated financial statements, instead of three. The new standard also required the presentation of underwater endowment funds to be moved to net assets with donor restrictions. The impact of this change on net assets affected only OSUF and can be seen in the following table:

	<b>June 30, 2018</b>
Unrestricted Net Assets, as Previously Reported	\$ 15,574
Underwater Endowment Funds	11,881
Net Assets Without Donor Restrictions, as Adjusted	<u>27,455</u>
Temporarily Restricted Net Assets, as Previously Reported	297,781
Permanently Restricted Net Assets, as Previously Reported	430,649
Total Restricted Net Assets, as Previously Reported	<u>728,430</u>
Underwater Endowment Funds	(11,881)
Net Assets With Donor Restrictions, as Adjusted	<u>716,549</u>
Total Net Assets, as Adjusted	<b><u>\$ 744,004</u></b>

Please see the combining financial statements for the OSU component units on the following pages.

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

- Oregon State University Foundation, 4238 SW Research Way, Corvallis, OR 97333
- Agricultural Research Foundation, 1600 SW Western Blvd, Suite 320, Corvallis, OR 97333



Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

**Component Units  
Combining Financial Statements**

**Statements of Financial Position**

As of June 30, 2019

Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
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(in thousands)

**ASSETS**

Cash and Cash Equivalents	\$ 3,458	\$ 1,988	\$ 5,446
Investments	701,025	27,051	728,076
Contributions, Pledges and Grants Receivable, Net	37,722	3,753	41,475
Assets Held-For-Sale	7,150	-	7,150
Assets Held Under Split-Interest Agreements	54,205	-	54,205
Charitable Trusts Held Outside the Foundation	15,021	-	15,021
Prepaid Expenses and Other Assets	3,232	226	3,458
Property and Equipment, Net	28,163	11	28,174

**Total Assets**

<b>\$ 849,976</b>	<b>\$ 33,029</b>	<b>\$ 883,005</b>
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**LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 9,401	\$ 30	\$ 9,431
Endowment Assets Held for OSU	48,272	-	48,272
Accounts Payable to the University	-	5,204	5,204
Obligations to Beneficiaries of Split-Interest Agreements	24,910	-	24,910
Other Liabilities	55	11,090	11,145
Long-Term Liabilities	-	3	3

**Total Liabilities**

<b>82,638</b>	<b>16,327</b>	<b>98,965</b>
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**NET ASSETS**

Without Donor Restrictions	33,309	5,609	38,918
With Donor Restrictions	734,029	11,093	745,122

**Total Net Assets**

<b>767,338</b>	<b>16,702</b>	<b>784,040</b>
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**TOTAL LIABILITIES AND NET ASSETS**

<b>\$ 849,976</b>	<b>\$ 33,029</b>	<b>\$ 883,005</b>
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**Component Units**

**Combining Financial Statements**

**Statements of Activities**

For the Year Ended June 30, 2019

Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
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(in thousands)

**CHANGE IN NET ASSETS HELD WITHOUT DONOR RESTRICTIONS**

**REVENUES**

Grants, Bequests and Gifts	\$ 575	\$ 6,138	\$ 6,713
Investment Income, Net	6,335	1,816	8,151
Net Assets Released From Restrictions and Other Transfers	86,125	2,305	88,430
Other Revenues	22,241	-	22,241
<b>Total Revenues</b>	<b>115,276</b>	<b>10,259</b>	<b>125,535</b>

**EXPENSES**

University Support	77,014	8,597	85,611
Management and General	12,677	372	13,049
Development	19,731	-	19,731
<b>Total Expenses</b>	<b>109,422</b>	<b>8,969</b>	<b>118,391</b>

**Increase In Net Assets Held Without Donor Restrictions**

Beginning Balance, Net Assets Held Without Donor Restrictions	27,455	4,319	31,774
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**Ending Balance, Net Assets Held Without Donor Restrictions**

<b>\$ 33,309</b>	<b>\$ 5,609</b>	<b>\$ 38,918</b>
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**CHANGE IN NET ASSETS HELD WITH DONOR RESTRICTIONS**

**REVENUES**

Grants, Bequests and Gifts	\$ 76,168	\$ 2,721	\$ 78,889
Investment Income, Net	23,705	52	23,757
Change in Value of Life Income Agreements	541	-	541
Other Revenues	3,191	-	3,191
Net Assets Released From Restrictions and Other Transfers	(86,125)	(2,305)	(88,430)
<b>Increase In Net Assets Held With Donor Restrictions</b>	<b>17,480</b>	<b>468</b>	<b>17,948</b>

Beginning Balance, Net Assets Held With Donor Restrictions

716,549	10,625	727,174
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**Ending Balance, Net Assets Held With Donor Restrictions**

<b>\$ 734,029</b>	<b>\$ 11,093</b>	<b>\$ 745,122</b>
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Beginning Balance, Total Net Assets

\$ 744,004	\$ 14,944	\$ 758,948
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**Increase In Total Net Assets**

<b>23,334</b>	<b>1,758</b>	<b>25,092</b>
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**Ending Balance, Total Net Assets**

<b>\$ 767,338</b>	<b>\$ 16,702</b>	<b>\$ 784,040</b>
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Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

**Component Units  
Combining Financial Statements**

**Statements of Financial Position**

As of June 30, 2018

	<b>Oregon State University Foundation</b>	<b>Agricultural Research Foundation</b>	<b>Total Component Units</b>
	(in thousands)		
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 25,579	\$ 610	\$ 26,189
Investments	667,737	25,205	692,942
Contributions, Pledges and Grants Receivable, Net	43,497	3,484	46,981
Assets Held-For-Sale	5,559	-	5,559
Assets Held Under Split-Interest Agreements	47,684	-	47,684
Charitable Trusts Held Outside the Foundation	15,310	-	15,310
Prepaid Expenses and Other Assets	3,525	178	3,703
Property and Equipment, Net	13,152	16	13,168
<b>Total Assets</b>	<b>\$ 822,043</b>	<b>\$ 29,493</b>	<b>\$ 851,536</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 8,273	\$ 39	\$ 8,312
Endowment Assets Held for OSU	47,976	-	47,976
Accounts Payable to the University	-	4,944	4,944
Obligations to Beneficiaries of Split-Interest Agreements	21,514	-	21,514
Deposits and Unearned Revenue	276	9,562	9,838
Long-Term Liabilities	-	4	4
<b>Total Liabilities</b>	<b>78,039</b>	<b>14,549</b>	<b>92,588</b>
<b>NET ASSETS</b>			
Without Donor Restrictions	27,455	4,319	31,774
With Donor Restrictions	716,549	10,625	727,174
<b>Total Net Assets</b>	<b>744,004</b>	<b>14,944</b>	<b>758,948</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 822,043</b>	<b>\$ 29,493</b>	<b>\$ 851,536</b>

Notes to the Financial Statements  
For the Years Ended June 30, 2019 and 2018

**Component Units  
Combining Financial Statements**

**Statements of Activities**

For the Year Ended June 30, 2018

Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
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(in thousands)

**CHANGE IN NET ASSETS HELD WITHOUT DONOR RESTRICTIONS**

**REVENUES**

Grants, Bequests and Gifts	\$ 12,657	\$ 5,822	\$ 18,479
Investment Income, Net	4,650	709	5,359
Net Assets Released From Restrictions and Other Transfers	75,146	3,012	78,158
Other Revenues	21,487	-	21,487
<b>Total Revenues</b>	<b>113,940</b>	<b>9,543</b>	<b>123,483</b>

**EXPENSES**

University Support	72,970	9,086	82,056
Management and General	13,032	359	13,391
Development	18,176	-	18,176
<b>Total Expenses</b>	<b>104,178</b>	<b>9,445</b>	<b>113,623</b>

**Increase In Net Assets Held Without Donor Restrictions**

Beginning Balance, Net Assets Held Without Donor Restrictions	17,693	4,221	21,914
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**Ending Balance, Net Assets Held Without Donor Restrictions**

	<b>\$ 27,455</b>	<b>\$ 4,319</b>	<b>\$ 31,774</b>
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**CHANGE IN NET ASSETS HELD WITH DONOR RESTRICTIONS**

**REVENUES**

Grants, Bequests and Gifts	\$ 85,760	\$ 2,766	\$ 88,526
Investment Income, Net	39,074	58	39,132
Change in Value of Life Income Agreements	2,485	-	2,485
Other Revenues	3,568	-	3,568
Net Assets Released From Restrictions and Other Transfers	(75,146)	(3,012)	(78,158)
<b>Increase (Decrease) In Net Assets Held With Donor Restrictions</b>	<b>55,741</b>	<b>(188)</b>	<b>55,553</b>

Beginning Balance, Net Assets Held With Donor Restrictions	660,808	10,813	671,621
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**Ending Balance, Net Assets Held With Donor Restrictions**

	<b>\$ 716,549</b>	<b>\$ 10,625</b>	<b>\$ 727,174</b>
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Beginning Balance, Total Net Assets	\$ 678,501	\$ 15,034	\$ 693,535
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**Increase (Decrease) In Total Net Assets**

	<b>65,503</b>	<b>(90)</b>	<b>65,413</b>
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**Ending Balance, Total Net Assets**

	<b>\$ 744,004</b>	<b>\$ 14,944</b>	<b>\$ 758,948</b>
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## Required Supplementary Information (dollars in thousands)

### SCHEDULE OF UNIVERSITY CONTRIBUTIONS\* Public Employees Retirement System

For Fiscal Years Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution <sup>1</sup>	\$ 28,059	\$ 27,936	\$ 19,571	\$ 19,078	\$ 15,945	\$ 15,100	\$ 13,760	\$ 12,666
Contributions in Relation to the Contractually Required Contribution	28,059	27,936	19,571	19,078	15,945	15,100	13,760	12,666
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 267,033	\$ 258,277	\$ 244,265	\$ 228,327	\$ 218,835	\$ 202,058	\$ 189,839	\$ 177,054
Contributions as a Percentage of Covered Payroll	10.5%	10.8%	8.0%	8.4%	7.3%	7.5%	7.2%	7.2%

<sup>1</sup>For Actuarial Assumptions and Methods, see table in Note 15

### SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)\* Public Employees Retirement System

As of the Measurement Date June 30,	2018	2017	2016	2015	2014	2013
University's Allocation of the Net Pension Liability/(Asset)	2.00%	2.18%	2.15%	2.00%	1.80%	1.80%
University's Proportionate Share of the Net Pension Liability/(Asset)	\$ 302,317	\$ 293,882	\$ 322,538	\$ 114,746	\$ (40,834)	\$ 91,930
University's Covered Payroll	\$ 258,277	\$ 244,265	\$ 228,327	\$ 218,835	\$ 202,058	\$ 189,839
University's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	117.05%	120.31%	141.26%	52.43%	20.21%	48.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

\*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

## Required Supplementary Information (dollars in thousands)

### SCHEDULE OF UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30, Actuarially Determined	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contributions <sup>1</sup>	\$ 1,205	\$ 1,171	\$ 1,172	\$ 1,104	\$ 1,170	\$ 1,091	\$ 1,020	\$ 963	\$ 367	\$ 362
Contributions in Relation to the Actuarially Determined Contributions	1,205	1,171	1,172	1,104	1,170	1,091	1,020	963	367	362
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$266,994	\$258,239	\$244,227	\$228,283	\$217,824	\$201,446	\$184,769	\$173,316	\$146,279	\$142,707
Contributions as a Percentage of Covered Payroll	0.45%	0.45%	0.48%	0.48%	0.54%	0.54%	0.55%	0.56%	0.25%	0.25%

<sup>1</sup>For Actuarial Assumptions and Methods, see table in Note 17

### SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PERS RHIA OPEB LIABILITY/(ASSET)\*

As of the Measurement Date June 30,	2018	2017	2016
University's Allocation of the Net RHIA OPEB Liability/(Asset)	2.35%	2.46%	2.36%
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset)	\$ (2,626)	\$ (1,027)	\$ 641
University's Covered Payroll	\$ 258,239	\$ 244,227	\$ 228,283
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset) as a Percentage of Covered Payroll	1.02%	0.42%	0.28%
Plan Fiduciary Net Position as a Percentage of the Total RHIA OPEB Liability/(Asset)	123.99%	108.88%	94.15%

\*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

## Required Supplementary Information (dollars in thousands)

### SCHEDULE OF UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contributions <sup>1</sup>	\$ 1,104	\$ 1,076	\$ 937	\$ 886	\$ 508	\$ 475	\$ 257	\$ 244	\$ 82	\$ 83
Contributions in Relation to the Actuarially Determined Contributions	1,104	1,076	937	886	508	475	257	244	82	83
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$266,994	\$258,239	\$244,227	\$228,283	\$217,824	\$201,446	\$184,769	\$173,316	\$146,279	\$142,707
Contributions as a Percentage of Covered Payroll	0.41%	0.42%	0.38%	0.39%	0.23%	0.24%	0.14%	0.14%	0.06%	0.06%

<sup>1</sup>For Actuarial Assumptions and Methods, see table in Note 17

### SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PERS RHIPA OPEB LIABILITY\*

As of the Measurement Date June 30,	2018	2017	2016
University's Allocation of the Net RHIPA OPEB Liability	7.98%	7.97%	8.01%
University's Proportionate Share of the Net RHIPA OPEB Liability	\$ 2,820	\$ 3,718	\$ 4,299
University's Covered Payroll	\$ 258,239	\$ 244,227	\$ 228,283
University's Proportionate Share of the Net RHIPA OPEB Liability as a Percentage of Covered Payroll	1.09%	1.52%	1.88%
Plan Fiduciary Net Position as a Percentage of the Total RHIPA OPEB Liability	49.79%	34.25%	21.87%

\*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

**SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE  
TOTAL PEBB OPEB LIABILITY\***

As of June 30,	2019	2018	2017
University's Allocation of the Total OPEB Liability	\$ 16,082	\$ 15,242	\$ 14,696
University's Proportionate Share of the Total OPEB Liability	9.98%	10.26%	10.15%
University's Covered Payroll	\$402,161	\$368,750	\$388,332
University's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	4.00%	4.13%	3.78%
Total OPEB Liability as a % of Total Covered Payroll	4.31%	4.42%	4.45%

\*This table will eventually contain 10 years of data. Only the data presented above is available at this time.

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

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