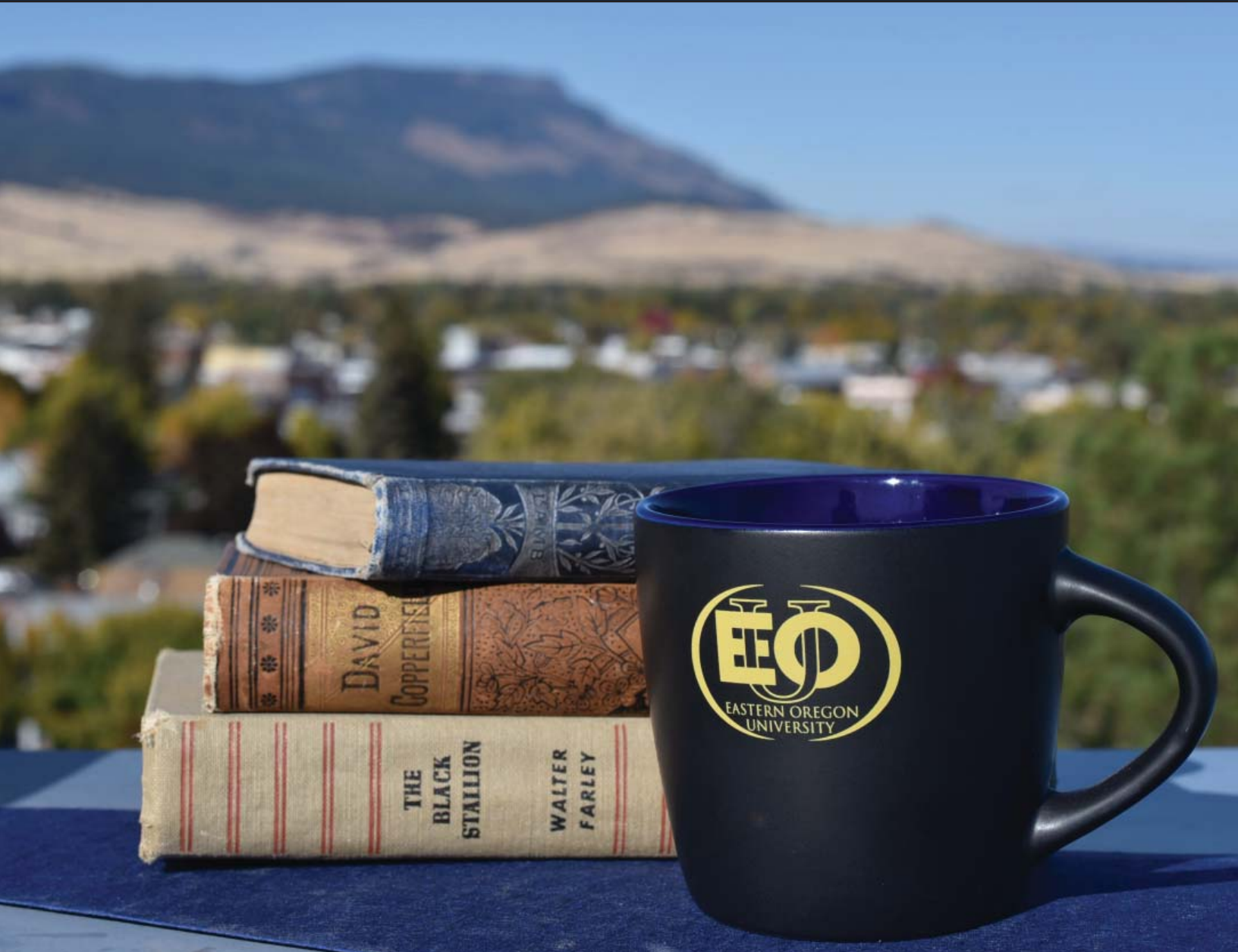


EASTERN OREGON UNIVERSITY

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



EASTERN OREGON
UNIVERSITY

MISSION STATEMENT

EOU guides student inquiry through integrated, high-quality liberal arts and professional programs that lead to responsible and reflective action in a diverse and interconnected world.

As an educational, cultural and scholarly center, EOU connects the rural regions of Oregon to a wider world. Our beautiful setting and small size enhance the personal attention our students receive, while partnerships with colleges, universities, agencies and communities add to the educational possibilities of our region and state.

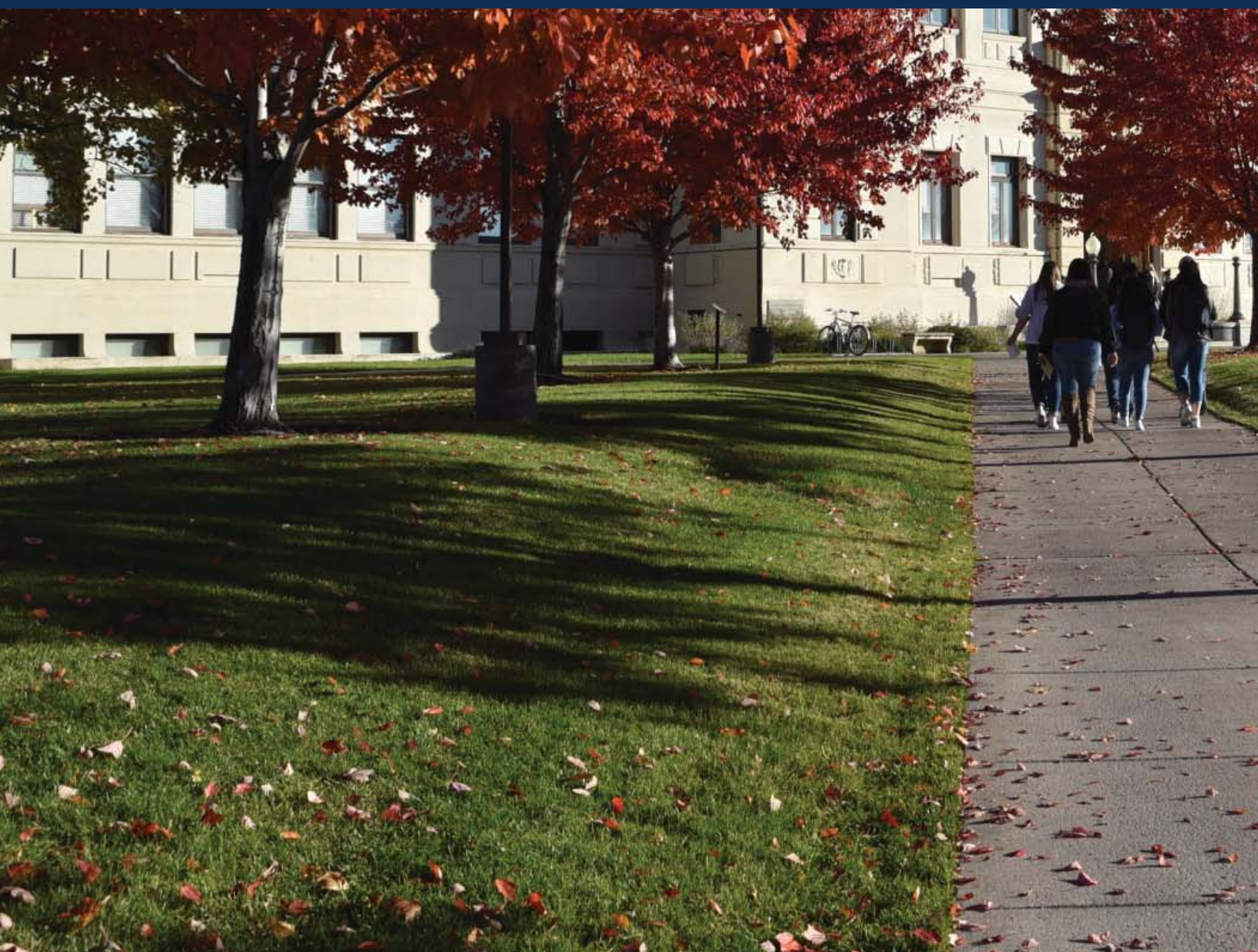


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EXECUTIVE OFFICERS

Thomas A. Insko

President

Sarah Witte

Provost

Lara Moore

Vice President for Finance & Administration

Tim Seydel

Vice President for University Advancement

Lacy Karpilo

Vice President for Student Affairs



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Eastern Oregon University
La Grande, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Eastern Oregon University, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the entity'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 audit. We did not audit the financial statements of the Eastern Oregon University Foundation (the Foundation), which represents 100 percent of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely presented component unit, 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 Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 report 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 the discretely presented component unit of Eastern Oregon University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 27 through 39, the Schedule of University's Public Employees Retirement System (PERS) Contributions, Schedule of University's Proportionate Share of the Net Pension Asset/Liability, Schedule of University PERS RHIA OPEB Employer Contribution, Schedule of University's Proportionate Share of the Net PERS RHIA OPEB Asset/Liability, and the Schedule of University's Proportionate Share of the Total PEBB OPEB Liability, listed as Required Supplementary Information in the table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of Eastern Oregon 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 Eastern Oregon 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 Eastern Oregon University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
October 15, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Eastern Oregon University (EOU, university) for the year ended June 30, 2019 with comparative data for the fiscal year ended June 30, 2018 and June 30, 2017. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and footnotes.

Annual Full Time Equivalent (FTE) Student Enrollment Summary:

| 2019 | 2018 | 2017 | 2016 | 2015 |
|-------|-------|-------|-------|-------|
| 2,329 | 2,315 | 2,393 | 2,482 | 2,614 |

UNDERSTANDING THE FINANCIAL STATEMENTS

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

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

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

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

Statement of Cash Flows (SCF) provides information about EOU's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, and assists in determining whether EOU

has the ability to generate future net cash flows to meet its obligations as they come due.

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

The Component Unit, comprised of a supporting foundation, is discretely presented in the EOU financial statements and in Note 2 Cash and Investments and Note 20 University Foundation.

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

FINANCIAL SUMMARY

The university's financial position improved in the past year with an increase in total net position as of June 30, 2019 of \$1,413 thousand. During 2019, unrestricted net position improved by \$1,838 thousand due to improved unrestricted operations, which includes education, auxiliary and general business activities. Accruals related to net pension liability and other postemployment benefits (OPEB) as required by GASB Statement Nos. 68, 71 and 75 decreased unrestricted net position by a net \$1,718 thousand. Net investment in capital assets increased by \$1,018 thousand.

Net position as of June 30, 2018 initially increased by \$92 thousand. However, the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018 resulted in a decrease to EOU's net position of \$573 thousand, for a total decrease in net position of \$481. The creation of the

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Perkins Loan Program Liability pending termination of the program reduced restricted expendable net position by \$1,049 thousand. Other major changes to unrestricted net position during 2018 included an increase of \$1,390 thousand due to a decrease in net pension liability, offset by a net decrease in deferred inflows of resource associated with GASB Statement Nos. 68, 71 and 75 of \$3,102 thousand. Net investment in capital assets increased by \$2,924 thousand and restricted expendable net position decreased by \$816 thousand.

STATEMENT OF NET POSITION

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

The following summarizes EOU's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

Condensed Statements of Net Position (in 000's)

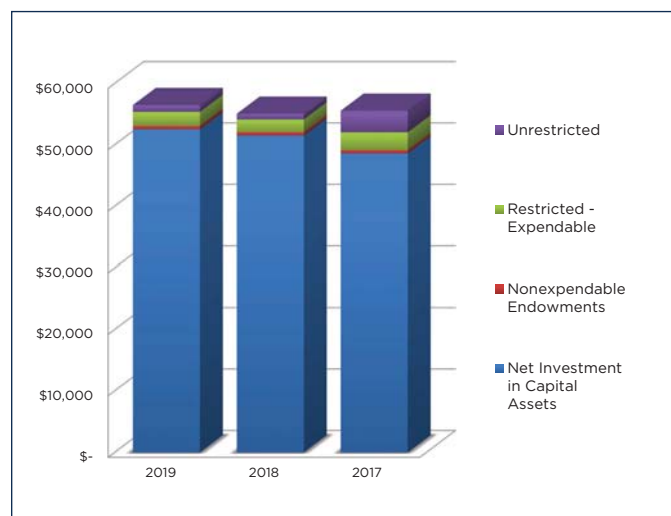
| As of June 30, | 2019 | 2018 | 2017 |
|----------------------------------|-------------------|-------------------|------------------|
| Current Assets | \$ 15,639 | \$ 12,836 | \$ 11,072 |
| Noncurrent Assets | 12,634 | 14,592 | 14,453 |
| Capital Assets, Net | 73,578 | 73,011 | 71,412 |
| Total Assets | \$ 101,851 | \$ 100,439 | \$ 96,937 |
| Deferred Outflows of Resources | \$ 7,110 | \$ 6,497 | \$ 9,599 |
| Current Liabilities | \$ 9,819 | \$ 10,535 | \$ 8,619 |
| Noncurrent Liabilities | 40,974 | 40,921 | 42,189 |
| Total Liabilities | \$ 50,793 | \$ 51,456 | \$ 50,808 |
| Deferred Inflows of Resources | \$ 1,680 | \$ 405 | \$ 172 |
| Net Investment in Capital Assets | \$ 52,552 | \$ 51,534 | \$ 48,610 |
| Restricted - Nonexpendable | 554 | 554 | 554 |
| Restricted - Expendable | 2,275 | 2,067 | 2,883 |
| Unrestricted | 1,107 | 920 | 3,509 |
| Total Net Position | \$ 56,488 | \$ 55,075 | \$ 55,556 |

Total Net Position

Total net position increased by \$1,413 thousand, or 3 percent, during 2019. Unrestricted net position increased due to improved unrestricted operations and changes in accruals associated with the net pension liability, OPEB asset and liabilities and other required liability accruals.

Total net position decreased by \$481 thousand, or 1 percent, during 2018. Unrestricted net position decreased due to changes in the net pension liability, OPEB asset and liabilities along with the associated deferred outflows and deferred inflows of resources associated with GASB Statement Nos. 68, 71 and 75. The decrease in unrestricted net position was offset by an increase in net investment in capital assets. Restricted expendable for student loans decreased due to the creation of the Perkins loan program liability in anticipation of the termination of the program.

As illustrated by the following graph, the make-up of net position changed between 2019, 2018 and 2017 (in 000's):



COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Net Investment in Capital Assets increased by \$1,018 thousand, or 2 percent.

- * Capital asset increases, net of disposals and adjustments, of \$4,509 thousand were offset by a \$3,942 thousand increase to accumulated depreciation for a net increase in capital assets of \$567 thousand. See also Changes in Capital Assets later in this MD&A and Note 5 Capital Assets for additional details.
- * Long-term debt outstanding attributable to the capital assets decreased by \$451 thousand. Debt service payments made on outstanding debt were somewhat offset by an increase in debt resulting from a bond sale by the state on behalf of EOU. See Debt Administration later in this MD&A and Note 9 Long-Term Liabilities.

Restricted Expendable Net Position increased by \$208 thousand, or 10 percent.

- * Net position related to gifts, grants and contracts increased by \$75 thousand. Increased cash and receivables were somewhat offset by increased deferred revenue on grants and contracts.
- * Net position related to student loans decreased by \$9 thousand. Decreased student loans receivable were offset by an increase in cash and a decrease in the Perkins Loan liquidation liability.
- * Net position relating to the funding of capital projects increased by \$15 thousand.
- * Net position relating to funds reserved for debt service increased by \$28 thousand primarily due to an increase in funds held at year end for debt service payments.

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- * Net position restricted expendable related to the OPEB Asset increased by \$99. The restricted expendable OPEB asset is equal to the Net OPEB Asset reported in noncurrent assets.

Unrestricted Net Position increased by \$187 thousand, or 20 percent.

- * Improved unrestricted operations added \$1,838 thousand.
- * Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP) and compensated absences increased unrestricted net position by \$67 thousand.
- * Changes associated with year-end accruals for the PERS net pension liability and related deferred outflows and deferred inflows decreased unrestricted net position by \$1,701 thousand.
- * Changes associated with year-end accruals for the reporting of net OPEB liabilities along with the associated deferred outflows and deferred inflows for the OPEB liabilities and the OPEB asset resulted in a net decrease of \$17 thousand.

See Note 10 Unrestricted Net Position for additional information.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Net Investment in Capital Assets increased by \$2,924 thousand, or 6 percent.

- * Capital asset increases, net of disposals and adjustments, of \$5,029 thousand were offset by a \$3,430 thousand increase to accumulated depreciation for a net increase in capital assets of \$1,599 thousand. See also Changes in Capital Assets on page 32 and Note 5 Capital Assets for additional details.
- * Long-term debt outstanding attributable to the capital assets decreased by \$1,325 thousand due primarily to debt service payments made on outstanding debt. See Note 9 Long-Term Liabilities.

Restricted Expendable Net Position decreased by \$816 thousand, or 28 percent.

- * Net position relating to funds reserved for debt service increased by \$157 thousand primarily due to an increase in funds held at year end for debt service payments.
- * Net position relating to the funding of capital projects increased by \$25 thousand primarily as the result of gift funding received for capital construction projects, but not expended by year end.
- * Net position related to gifts, grants and contracts decreased by \$55 thousand due mainly to decreased restricted grant and contract receivables at year end.
- * Net position related to student loans decreased by \$1,001 thousand due primarily to the creation of the Perkins loan program liability in anticipation of the termination of the program. The liability represent the amount of federal

capital contribution that is due back to the U.S. Department of Education. See Note 1, Organization and Summary of Significant Accounting Policies, Section W, Perkins Loan Program Termination for additional information.

- * 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 \$58 reported in noncurrent assets.

Unrestricted Net Position decreased by \$2,589 thousand, or 74 percent.

- * Improved unrestricted operations added \$59 thousand.
- * Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP) and compensated absences decreased unrestricted net position by \$36 thousand.
- * Changes associated with year-end accruals for the PERS net pension liability and related deferred outflows and deferred inflows decreased unrestricted net position by \$2,037 thousand.
- * The implementation of GASB Statement No. 75 and the reporting of net OPEB liabilities along with the associated deferred outflows and deferred inflows for the OPEB liabilities and the OPEB asset resulted in a net decrease of \$575 thousand.

See Note 10 for additional information.

Total Assets and Deferred Outflows

Total assets increased by \$1,412 thousand, or 1 percent, during the year ended June 30, 2019. Increases in cash and cash equivalents, accounts receivable, notes receivable, net OPEB asset, and net capital assets, were somewhat offset by a decrease in investments. Total assets increased by \$3,502 thousand, or 4 percent, during the year ended June 30, 2018. Increases in cash and cash equivalents, investments, accounts receivable, net capital assets, and the recording of a net OPEB asset under GASB 75, were offset by a slight decrease in notes receivable.

COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Current Assets increased by \$2,803 thousand, or 22 percent, primarily due to:

- * Current cash and cash equivalents increased by \$1,643 thousand due primarily to higher cash balances in operating funds at year end.
- * Accounts receivable increased by \$321 thousand. Increases in receivables for state grants and a decrease in the allowance for doubtful accounts were offset by a decrease in receivables for student tuition and fees and capital construction

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reimbursement from the state. See Note 3 Accounts Receivable for additional information.

- * Prepaid expenses decreased by \$28 thousand due primarily to a decrease in prepaid library subscriptions.
- * Current notes receivable increased by \$1,092 thousand due mainly to the recording of a current note receivable from the state for XI-F(1) bonds for capital construction.

Noncurrent Assets decreased by \$1,958 thousand, or 13 percent, primarily due to:

- * Noncurrent cash and cash equivalents decreased by \$531 thousand to zero due primarily to the spending of capital construction funds not yet reimbursed.
- * Investments decreased by \$1,222 thousand. A decrease in the amount of cash converted to investments was somewhat offset by an increase in unrealized gain on investments.
- * Noncurrent notes receivable decreased by \$304 due primarily to a decrease in notes receivable for federal student loans resulting from the termination of the Perkins Loan program.
- * Net OPEB asset increased by \$99. See Note 15 Other Postemployment Benefits (OPEB) for additional details.

Capital Assets, Net increased by \$567 thousand, or 1 percent. Capitalized acquisitions net of disposals and adjustments added \$4,509 thousand, which was offset by an increase of \$3,942 thousand in accumulated depreciation. See Note 5 Capital Assets for additional information.

Deferred Outflows of Resources increased by \$613 thousand, or 9 percent.

- * Deferred outflows related to the net pension liability increased by \$563 thousand.
- * Deferred outflows related to the OPEB asset and liabilities increased by \$50 thousand.

See Note 6 Deferred Outflows and Deferred Inflows of Resources for additional information.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Current Assets increased by \$1,764 thousand, or 16 percent, primarily due to:

- * Current cash and cash equivalents increased by \$1,421 thousand due to higher cash balances in operating funds at year end.
- * Accounts receivable increased by \$25 thousand. Increases in receivables for construction reimbursements and a decrease in the allowance for doubtful accounts were offset by a decrease in federal grant receivables. See Note 3 Accounts Receivable for additional information.

- * Prepaid expenses increased by \$24 thousand due primarily to prepaid library subscriptions.

- * Current notes receivable decreased by \$20 thousand due mainly to a decrease in the receivable related to Perkins loans, somewhat offset by a corresponding decrease in the allowance for doubtful accounts.

Noncurrent Assets increased by \$139 thousand, or 1 percent, primarily due to:

- * Noncurrent cash and cash equivalents decreased by \$203 thousand due primarily to spending of capital construction funds not yet reimbursed by state grants.
- * Investments increased by \$281 thousand. Increased cash held by the university led to an increase in the amount of cash converted to investments.
- * The implementation of GASB Statement No. 75 added \$58 thousand in net OPEB asset. See Note 15 Other Postemployment Benefits (OPEB) for additional details.

Capital Assets, Net increased by \$1,599 thousand, or 2 percent, due primarily to an increase in construction in progress related to land improvements for the construction of the new north campus parking lot where Hunt Hall used to be, new turf at Community Stadium, full replacement of the outdoor track and field facility, and upgrades to campus accessibility. Capitalized acquisitions net of disposals and adjustments added \$5,029 thousand, which was offset by an increase of \$3,430 thousand in accumulated depreciation. See Note 5 Capital Assets for additional information.

Deferred Outflows of Resources decreased by \$3,102 thousand, or 32 percent.

- * Deferred outflows related to the net pension liability decreased by \$3,247 thousand.
- * The implementation of GASB Statement No. 75 added \$145 thousand in deferred outflows related to the OPEB asset and liabilities.

See Note 6 for additional information.

Total Liabilities and Deferred Inflows

Total liabilities decreased by \$663 thousand, or 1 percent, during the year ended June 30, 2019 due mainly to decreases in accounts payable and accrued liabilities and long-term liabilities offset by increases in unearned revenue and net pension liability. Total liabilities increased by \$648 thousand, or 1 percent, during the year ended June 30, 2018 due mainly to increases in accounts payable and accrued liabilities, net OPEB liability and unearned revenue offset by decreases in the net pension liability and noncurrent long-term liabilities.

COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Current Liabilities decreased by \$716 thousand, or 7 percent, primarily due to:

- * Accounts payable and accrued liabilities decreased by \$944 thousand due to decreases in accounts payable for services and supplies related to construction projects and general operations.
- * The current portion of long-term liabilities increased by \$342 thousand due primarily to an increase in compensated absence liability. See Note 9 Long-Term Liabilities for additional information.
- * Deposits increased by \$21 thousand primarily due to an increase in funds held for student deposits and donors.
- * Unearned revenue increased by \$97 thousand due to increases in unearned revenue related to grants and contracts and prepaid rent.

Noncurrent Liabilities increased by \$53 thousand, or less than 1 percent.

- * Net pension liability increased by \$1,045 thousand. See Note 14 Employee Retirement Plans for additional information.
- * OPEB liability increased by \$11 thousand. See Note 15 Other Postemployment Benefits (OPEB) for additional information.
- * The noncurrent portion of long-term liabilities decreased by \$1,003 thousand. Decreases were seen in all categories of noncurrent long-term liabilities. See Debt Administration later in this MD&A and Note 9 Long-Term Liabilities for additional details.

Deferred Inflows of Resources increased by \$1,275 thousand, or 315 percent.

- * Deferred inflows related to the net pension liability increased by \$1,219 thousand.
- * Deferred inflows related to the OPEB asset and liabilities increased by \$56 thousand.

See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Current Liabilities increased by \$1,916 thousand, or 22 percent, primarily due to:

- * Accounts payable and accrued liabilities increased by \$1,284 thousand due to increases in salaries and wages payable and accounts payable for services and supplies, mostly related to ongoing construction projects.
- * The current portion of long-term liabilities increased by \$207 thousand due primarily to the recording of the Perkins

loan program liability. See Note 9 Long-Term Liabilities for additional information.

- * Deposits decreased by \$31 thousand due to a decrease in funds held for student deposits and donors.
- * Unearned revenue increased by \$146 thousand due to increases in unearned revenue related to summer session, and grants and contracts.

Noncurrent Liabilities decreased by \$1,268 thousand, or 3 percent.

- * Net pension liability decreased by \$1,390 thousand. See Note 14 for additional details.
- * The implementation of GASB Statement No. 75 added \$667 thousand in OPEB liability. See Note 15 for additional details.
- * The non-current portion of long-term liabilities decreased by \$545 thousand. Debt service payments were offset by the recording of the Perkins loan program liability. See Debt Administration later in this MD&A and Note 9 for additional details.

Deferred Inflows of Resources increased by \$233 thousand, or 135 percent.

- * Deferred inflows related to the net pension liability increased by \$180 thousand.
- * The implementation of GASB Statement No. 75 added \$53 thousand in deferred inflows related to the OPEB asset and liabilities.

See Note 6 for detailed information on this change.

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

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

The following summarizes the revenue and expense activity of EOU:

Condensed Statements of Revenues, Expenses and Changes in Net Position (in 000's)

| For the Year Ended June 30, | 2019 | 2018 | 2017 |
|---|----------|-----------|-----------|
| Operating Revenues | \$29,072 | \$ 27,561 | \$ 26,410 |
| Operating Expenses | 59,818 | 57,607 | 55,913 |
| Operating Loss | (30,746) | (30,046) | (29,503) |
| Nonoperating Revenues, Net of Expenses | 28,595 | 25,446 | 27,008 |
| Other Revenues | 3,564 | 4,692 | 1,477 |
| Increase in Net Position | 1,413 | 92 | (1,018) |
| Net Position, Beginning of Year | 55,075 | 55,556 | 56,574 |
| Change in Accounting Principle | - | (573) | - |
| Net Position, Beginning of Year, Restated | 55,075 | 54,983 | 56,574 |
| Net Position, End of Year | \$56,488 | \$ 55,075 | \$ 55,556 |

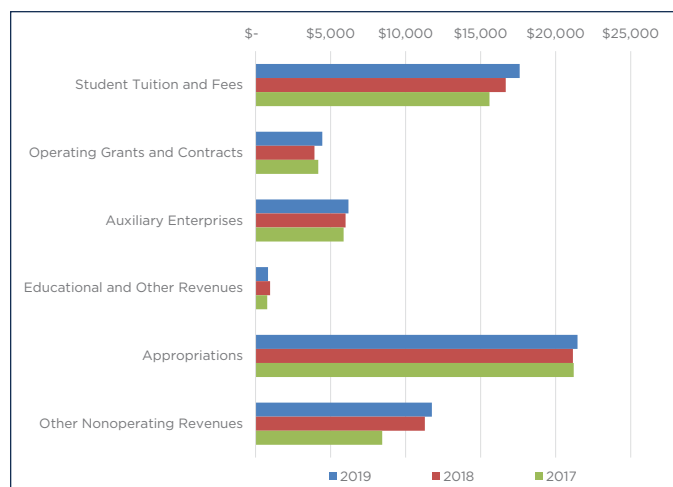
Revenues

Total revenues increased by \$2,281 thousand, or 4 percent in 2019 over 2018. The increase was primarily due to increases in student tuition and fees, operating grants and contracts, auxiliary enterprises, appropriations, financial aid grants, gifts and investment activity slightly offset by decreases in capital grants and gifts and educational and other revenues.

Total Operating and Nonoperating Revenues (in 000's)

| For the Year Ended June 30, | 2019 | 2018 | 2017 |
|---------------------------------------|-----------|-----------|-----------|
| Student Tuition and Fees | \$ 17,598 | \$ 16,674 | \$ 15,590 |
| Grants and Contracts | 4,450 | 3,925 | 4,176 |
| Auxiliary Enterprises | 6,190 | 5,996 | 5,868 |
| Educational and Other | 834 | 966 | 776 |
| Total Operating Revenues | 29,072 | 27,561 | 26,410 |
| Appropriations | 21,452 | 21,146 | 21,199 |
| Financial Aid Grants | 6,828 | 6,219 | 6,354 |
| Gifts | 812 | 626 | 517 |
| Investment Activity | 1,068 | 254 | 333 |
| Capital Grants and Gifts | 2,926 | 4,054 | 829 |
| Other Nonoperating Items | 115 | 132 | 404 |
| Total Nonoperating and Other Revenues | 33,201 | 32,431 | 29,636 |
| Total Revenues | \$62,273 | \$59,992 | \$56,046 |

Total Operating and Nonoperating Revenues (in 000's)



Operating Revenues

Operating revenues increased by \$1,511 thousand in 2019, or 5 percent, over 2018, to \$29,072 thousand. This increase is due to increases in all categories of operating revenue except educational and other. Operating revenues increased by \$1,151 thousand in 2018, or 4 percent, over 2017, to \$27,561 thousand. This increase is due to increases in all categories of operating revenue except grants and contracts.

COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Net Student Tuition and Fees increased by \$924 thousand, or 6 percent, primarily due to:

- * Tuition and fees increased by \$1,488 thousand. Tuition increased by \$1,408 thousand due primarily to rate increases

and a slight enrollment increase. Fees increased by \$80 thousand.

- * Fee remissions and scholarship allowances reduced tuition and fees by \$625 thousand more than in the previous year.
- * Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by \$61 thousand, resulting in an increase to net tuition and fees.

Federal, State and Nongovernmental Grants and Contracts increased by \$525 thousand, or 13 percent.

- * Federal grant and contract revenues decreased by \$91 thousand due primarily to decreased pass-through grants for watershed work and Department of Education financial aid grants somewhat offset by increased grants from the Department of Health and Human Services and the Department of Energy.
- * State grant revenue increased by \$591 thousand primarily due to increases in grants from the Oregon Department of Education, Business Development Department, Department of Justice and the city of La Grande.
- * Nongovernmental grant activity increased by \$25 thousand due primarily to increased grants from the EOU Foundation only slightly offset by decreased grants from commercial businesses and other foundations.

Auxiliary Enterprises revenues increased by \$194 thousand, or 3 percent.

- * Housing and dining revenues increased by \$16 thousand. Increased revenues from events, rentals, food service and housing charges were somewhat offset by decrease revenues from reimbursements from outside entities and an increase in scholarship allowance.
- * Student health service revenues increased by \$88 thousand due to increased student health fees.
- * Athletics revenues decreased by \$14 thousand due mainly to decreases in sales and services and other miscellaneous revenue.
- * Parking revenues decreased by \$11 thousand due to decreased sales revenue.
- * Student centers and activities decreased by \$46 thousand due to decreased fees, permits, services and student incidental fee revenue.
- * Other auxiliary revenues increased by \$171 thousand due primarily to increases in other housing and food service rentals and increased student incidental fee revenue.

Educational and Other Operating Revenues decreased by \$132 thousand, or 14 percent.

- * Educational Department Sales and Services revenues increased by \$51 thousand, primarily due to continued increased camp and clinic income.

- * Other Operating revenues decreased by \$183 thousand, primarily due to decreased miscellaneous revenue and reimbursements from outside entities.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Net Student Tuition and Fees increased by \$1,084 thousand, or 7 percent, primarily due to:

- * Tuition and fees increased by \$944 thousand. Tuition increased by \$618 thousand due to rate increases, which was offset by a slight decrease in enrollment. Fees increased by \$326 thousand.
- * Fee remissions and scholarship allowances reduced tuition and fees by \$39 thousand more than in the previous year.
- * Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by \$179 thousand, resulting in an increase to net tuition and fees.

Federal, State and Nongovernmental Grants and Contracts decreased by \$251 thousand, or 6 percent.

- * Federal grant and contract revenues increased by \$220 thousand due primarily to increased grants from the Department of Health and Human Services.
- * State grant activity decreased by \$404 thousand due to decreases in grants from the Oregon Department of Education.
- * Nongovernmental grant activity decreased by \$67 thousand due to decreased grants from the EOU Foundation and other universities.

Auxiliary Enterprises revenues increased by \$128 thousand, or 2 percent.

- * Housing and dining revenues decreased by \$103 thousand. Increased revenues from events, rentals, food service and housing charges were offset by decrease revenues from reimbursements from outside entities and an increase in scholarship allowance.
- * Student health revenues increased by \$5 thousand due to increased student health fees.
- * Athletics revenues decreased by \$68 thousand due mainly to a decrease in post-season revenue.
- * Parking revenues increased by \$37 thousand due to increased sales.
- * Student centers and activities increased by \$26 thousand due to increased fees, permits and services.
- * Other auxiliary revenues increased by \$231 thousand due primarily to an increase in other housing and food service rentals related to the solar eclipse event and additional athletic camps.

Educational and Other Operating Revenues increased by \$190 thousand, or 24 percent.

- * Educational Department Sales and Services revenues increased by \$61 thousand, primarily due to increased camp and clinic income.
- * Other Operating revenues increased by \$129 thousand, primarily due to increased miscellaneous revenue.

Nonoperating and Other Revenues

Nonoperating revenues increased by \$770 thousand, or 2 percent, during 2019. Increases in appropriations, financial aid grants, gifts and investment activity were offset by decreases in capital grants and gifts and other nonoperating items. Nonoperating revenues increased by \$2,795 thousand, or 9 percent, during 2018. Increases in gifts and capital grants and gifts were offset by decreases in appropriations, financial aid grants, investment activity and other nonoperating items.

COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Government Appropriations increased by \$306 thousand, or 1 percent.

- * State appropriations in support of university operations increased by \$306 thousand due to increased general university support.
- * State appropriations for SELP debt service and from sports lottery were unchanged.

See Note 13 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants increased by \$609 thousand, or 10 percent, due primarily to increases in Oregon Opportunity and federal Pell grants.

Gifts increased by \$186 thousand, or 30 percent, due to increased gifts from the EOU Foundation and commercial businesses.

Investment Activity increased by \$814 thousand, or 320 percent due primarily to investment earnings and positive net appreciation of investments. See Note 11 Investment Activity for additional information.

Capital Grants and Gifts decreased by \$1,128 thousand, or 28 percent, due to decreased state XI-Q and lottery grants, local grants and EOU Foundation capital gift revenue slightly offset by increased State of Oregon capital appropriations.

Other Nonoperating Items decreased by \$17 thousand, or 13 percent due primarily to a decrease in the Perkins Loan Program Liability.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Government Appropriations decreased by \$53 thousand, or less than 1 percent.

- * State appropriations in support of university operations decreased by \$43 thousand. Increases in general university support were offset by decreases in one-time funding.
- * State appropriations for SELP debt service decreased by \$10 thousand.

See Note 13 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants decreased by \$135 thousand, or 2 percent, due mainly to a decrease in Oregon Opportunity Grants, offset by a slight increase in federal Pell grants.

Gifts increased by \$109 thousand, or 21 percent, due to increased revenue from the EOU Foundation, offset by a slight decrease in private gifts.

Investment Activity decreased by \$79 thousand, or 24 percent. A loss on sale of investments and a net depreciation of investments was offset by increased investment earnings. See Note 11 Investment Activity for additional information.

Capital Grants and Gifts increased by \$3,225 thousand, or 389 percent, due to increased State XI-Q grants, local grants and EOU Foundation gift revenue for the year.

Other Nonoperating Items decreased by \$272 thousand, or 67 percent, due primarily to the prior year refunding of underlying state XI-F(1) bond debt which resulted in a decrease in the university's contracts payable to the State.

EXPENSES

Operating Expenses

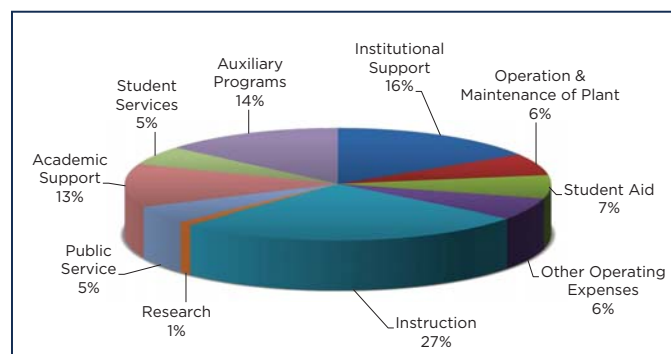
Operating expenses increased by \$2,211 thousand in 2019, or 4 percent, to \$59,818 thousand, compared to 2018. During 2019 all categories of operating expenses except research increased. Operating expenses increased by \$1,694 thousand in 2018, or 3 percent, to \$57,607 thousand, compared to 2017. The 2018 increase resulted mainly from increases in compensation and benefit costs and scholarships and fellowships, offset by decreases in services and supplies and other operating expenses. See the discussion that follows for the effect of GASB Statement Nos. 68, 71 and 75 on operating expenses by function.

The following summarizes operating expenses by functional classification:

Operating Expense by Function (in 000's)

| For the Year Ended June 30, | 2019 | 2018 | 2017 |
|---------------------------------|------------------|------------------|------------------|
| Instruction | \$ 15,968 | \$ 15,850 | \$ 14,786 |
| Research | 604 | 612 | 622 |
| Public Service | 3,008 | 2,842 | 2,577 |
| Academic Support | 7,520 | 6,955 | 6,934 |
| Student Services | 3,260 | 2,928 | 2,781 |
| Auxiliary Programs | 8,248 | 8,049 | 8,236 |
| Institutional Support | 9,691 | 9,641 | 8,535 |
| Operation and Maint. of Plant | 3,747 | 3,482 | 3,887 |
| Student Aid | 4,040 | 3,725 | 4,013 |
| Other Operating Expenses | 3,732 | 3,523 | 3,542 |
| Total Operating Expenses | \$ 59,818 | \$ 57,607 | \$ 55,913 |

2019 Operating Expense by Function



The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* beginning with fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018 has had a significant impact on the operating expenses reported by EOU.

The following shows the effect of GASB Statement Nos. 68, 71 and 75 on operating expenses across the functional classifications:

Effect of GASB Statement Nos. 68, 71 and 75 on Expense by Function (in 000's)

| For the Year Ended June 30, 2019 | As Reported | Without GASB 68/71 & 75 | Difference |
|----------------------------------|------------------|-------------------------|-----------------|
| Instruction | \$ 15,968 | \$ 15,400 | \$ 568 |
| Research | 604 | 590 | 14 |
| Public Service | 3,008 | 2,909 | 99 |
| Academic Support | 7,520 | 7,229 | 291 |
| Student Services | 3,260 | 3,136 | 124 |
| Auxiliary Programs | 8,248 | 8,132 | 116 |
| Institutional Support | 9,691 | 9,560 | 131 |
| Operation and Maint. of Plant | 3,747 | 3,478 | 269 |
| Student Aid | 4,040 | 4,040 | - |
| Other Operating Expenses | 3,732 | 3,724 | 8 |
| Total Operating Expenses | \$ 59,818 | \$ 58,198 | \$ 1,620 |

| For the Year Ended June 30, 2018 | As Reported | Without GASB 68/71 & 75 | Difference |
|----------------------------------|------------------|-------------------------|-----------------|
| Instruction | \$ 15,850 | \$ 15,121 | \$ 729 |
| Research | 612 | 598 | 14 |
| Public Service | 2,842 | 2,720 | 122 |
| Academic Support | 6,955 | 6,604 | 351 |
| Student Services | 2,928 | 2,792 | 136 |
| Auxiliary Programs | 8,049 | 7,898 | 151 |
| Institutional Support | 9,641 | 9,496 | 145 |
| Operation and Maint. of Plant | 3,482 | 3,158 | 324 |
| Student Aid | 3,725 | 3,725 | - |
| Other Operating Expenses | 3,523 | 3,515 | 8 |
| Total Operating Expenses | \$ 57,607 | \$ 55,627 | \$ 1,980 |

| For the Year Ended June 30, 2017 | As Reported | Without GASB 68/71 & 75 | Difference |
|----------------------------------|------------------|-------------------------|-----------------|
| Instruction | \$ 14,786 | \$ 13,916 | \$ 870 |
| Research | 622 | 602 | 20 |
| Public Service | 2,577 | 2,436 | 141 |
| Academic Support | 6,934 | 6,518 | 416 |
| Student Services | 2,781 | 2,612 | 169 |
| Auxiliary Programs | 8,236 | 8,056 | 180 |
| Institutional Support | 8,535 | 8,344 | 191 |
| Operation and Maint. of Plant | 3,887 | 3,492 | 395 |
| Student Aid | 4,013 | 4,013 | - |
| Other Operating Expenses | 3,542 | 3,529 | 13 |
| Total Operating Expenses | \$ 55,913 | \$ 53,518 | \$ 2,395 |

Without the adjustments to compensation and benefits required under GASB Statement Nos. 68, 71 and 75, total operating expenses for EOU would have increased by \$2,571 thousand, or 5 percent, during 2019 and by \$2,109 thousand, or 4 percent, during 2018.

Operating Expenses by Nature

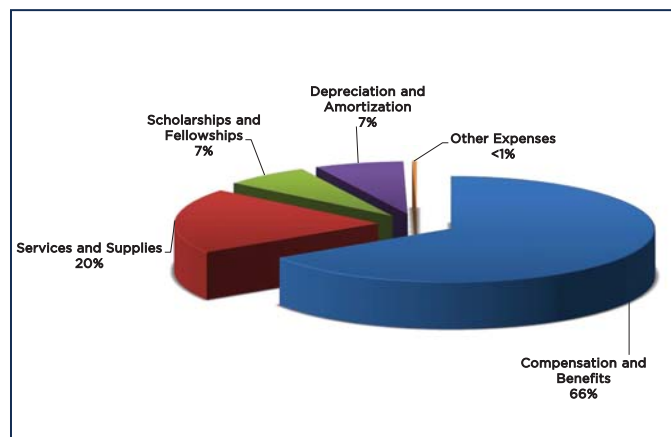
Due to the way in which expenses are incurred by EOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification (in 000's)

| For the Year Ended June 30, | 2019 | 2018 | 2017 |
|---------------------------------|------------------|------------------|------------------|
| Compensation and Benefits | \$ 39,383 | \$ 38,313 | \$ 36,061 |
| Services and Supplies | 11,925 | 11,202 | 11,795 |
| Scholarships and Fellowships | 4,075 | 3,975 | 3,848 |
| Depreciation and Amortization | 4,233 | 4,010 | 4,026 |
| Other Expenses | 202 | 107 | 183 |
| Total Operating Expenses | \$ 59,818 | \$ 57,607 | \$ 55,913 |

2019 Operating Expenses by Natural Classification



COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Compensation and Benefits costs increased by \$1,070 thousand, or 3 percent.

- * Salary and wage costs increased by \$1,032 thousand due to staffing increase and salary and wage increases.
- * Retirement and health insurance costs increased by \$438 thousand.
- * Other payroll expenses decreased by \$21 thousand.
- * Other costs associated with compensation and benefits increased by \$3 thousand.
- * The adjustment of the PERS state and local government rate pool (SLGRP) decreased compensation and benefit costs by \$22 thousand.
- * Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by \$336 thousand. See the GASB 68/71/75 table to the left and Note 14 Employee Retirement Plans for additional information on this variance.
- * Adjustments and accruals associated with the OPEB asset/(liability) reporting requirement of GASB Statement No. 75

decreased by \$24 thousand. See table on the previous page and Note 15 Other Postemployment Benefits (OPEB) for additional information on this variance.

Services and Supplies expenses increased by \$723 thousand, or 6 percent, during 2019 due primarily to increases in general supplies and services, utilities, and travel.

Scholarships and Fellowships increased by \$100 thousand, or 3 percent, due to increases in federal, state, institutional and private aid. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization increased by \$223 thousand, or 6 percent. Increases in depreciation for land improvements and infrastructure resulted from newly completed construction projects being put into service. Major capital projects completed during fiscal year 2019 include new turf at Community Stadium, restoration of the track and field facility, and north campus land improvements where Hunt Hall used to reside.

Other Operating Expenses increased by \$95 thousand, or 89 percent, due to an increase in defaults on federal student loans assigned to the federal government.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Compensation and Benefits costs increased by \$2,252 thousand, or 6 percent.

- * Salary and wage costs increased by \$904 thousand due to salary and wage increases, offset by a slight staffing decrease.
- * Retirement and health insurance costs increased by \$1,362 thousand.
- * Other payroll expenses increased by \$469 thousand.
- * Other costs associated with compensation and benefits decreased by \$50 thousand.
- * Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by \$358 thousand. See table to the left and Note 14 Employee Retirement Plans for additional information on this variance.
- * Adjustments and accruals associated with the OPEB asset/(liability) reporting requirement of GASB Statement No. 75 decreased by \$75 thousand. See table on the previous page and Note 15 for additional information on this variance.

Services and Supplies expenses decreased by \$593 thousand, or 5 percent, during 2018. Decreases in non-capital equipment, risk management assessments, and out-of-state group travel were slightly offset by increased in software contract services.

Scholarships and Fellowships increased by \$127 thousand, or 3 percent. Decreases in federal and state student financial aid were slightly offset by increases in private and institutional aid.

This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization decreased by \$16 thousand, or less than 1 percent, primarily due to a decrease in building depreciation due to the impairment and subsequent demolition of Hunt Hall.

Other Operating Expenses decreased by \$76 thousand, or 42 percent, due to a decrease in defaults on federal student loans assigned to the federal government and as a result of the prior year expense related to the sale of the university owned president's residence.

Nonoperating Expenses

COMPARISON OF FISCAL YEAR 2019 TO FISCAL YEAR 2018

Interest Expense decreased by \$63 thousand, or 6 percent, primarily due to decreased SELP and bond interest.

COMPARISON OF FISCAL YEAR 2018 TO FISCAL YEAR 2017

Interest Expense decreased by \$40 thousand, or 4 percent, primarily due to decreased SELP and SLGRP interest, offset by a slight increase in interest for bond debt service.

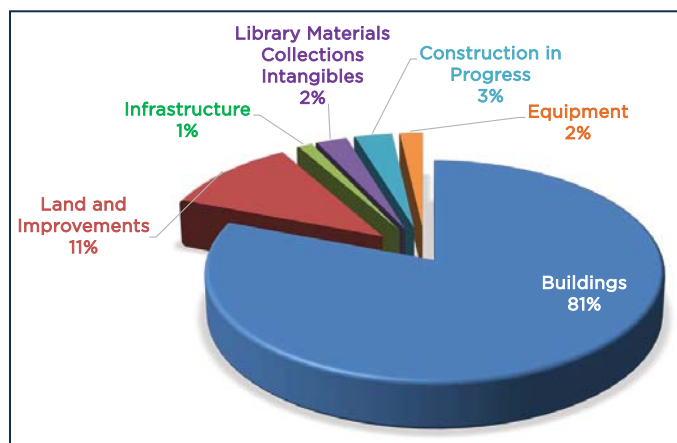
Perkins Loan Program Termination expense increased by \$1,049 thousand due to the recording of the Perkins loan program liability for the amount of federal capital contribution (FCC) due back to the U.S. Department of Education (ED). The Perkins loan program has been discontinued by the federal government. EOU will be continuing to collect on Perkins loans outstanding and returning the FCC to the ED as it is collected. See Note 1, Organization and Summary of Significant Accounting Policies, Section W, Perkins Loan Program Termination for additional information.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2019, EOU had \$146,274 thousand in capital assets, less accumulated depreciation of \$72,696 thousand, for net capital assets of \$73,578 thousand. At June 30, 2018, EOU had \$141,765 thousand in capital assets, less accumulated depreciation of \$68,754 thousand, for net capital assets of \$73,011 thousand. EOU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing EOU's deferred maintenance backlog. State, federal, private, debt, and internal EOU funding are all used to accomplish EOU's capital objectives.

2019 Capital Assets, Net - \$73,578 Thousand



Changes to Capital Assets (in 000's)

| As of June 30, | 2019 | 2018 | 2017 |
|---|------------|------------|------------|
| Capital Assets, Beginning of Year | \$ 141,765 | \$ 136,736 | \$ 136,546 |
| Add: Purchases/Construction | 6,516 | 6,060 | 1,570 |
| Less: Retirements/Disposals/Adjustments | (2,007) | (1,031) | (1,380) |
| Total Capital Assets, End of Year | 146,274 | 141,765 | 136,736 |
| Accum. Depreciation, Beginning of Year | (68,754) | (65,324) | (62,557) |
| Add: Depreciation Expense | (4,233) | (4,010) | (4,026) |
| Less: Retirements/Disposals/Adjustments | 291 | 580 | 1,259 |
| Total Accum. Depreciation, End of Year | (72,696) | (68,754) | (65,324) |
| Total Capital Assets, Net, End of Year | \$ 73,578 | \$ 73,011 | \$ 71,412 |

Capital additions totaled \$6,516 thousand for 2019, \$6,060 thousand for 2018, and \$1,570 thousand for 2017.

During 2019, capital additions included \$1,646 thousand for construction in progress (CIP) for buildings and infrastructure; \$336 thousand for equipment; \$313 thousand for library materials; \$4,073 thousand for land improvements; and \$148 thousand for buildings. During 2018, capital additions included \$3,989 thousand for construction in progress (CIP) for land improvements and buildings; \$478 thousand for equipment; \$316 thousand for library materials; \$884 thousand for infrastructure; and \$246 thousand for buildings. The large addition for CIP for land improvement is related to the construction of the new north campus parking lot where Hunt Hall used to be, new turf at Community Stadium, full replacement of the outdoor track and field facility, and upgrades to campus accessibility. During 2017, capital additions included \$696 thousand for construction in progress (CIP) for land improvements, equipment, buildings, and improvements other than buildings; \$208 thousand for equipment; \$308 thousand for library materials; and \$342 thousand for buildings.

Debt Administration

During 2019, long-term debt held by EOU decreased by \$504 thousand, or 2 percent, from \$21,616 thousand to \$21,112 thousand.

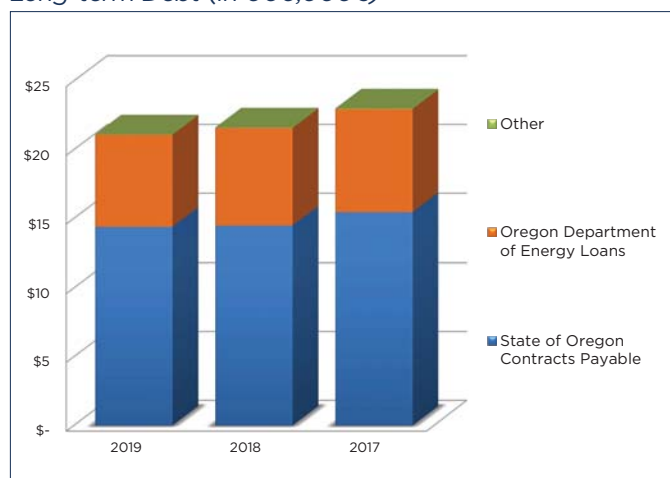
- * EOU made debt service principal payments totaling \$1,381 thousand on outstanding long-term debt.
- * EOU's outstanding debt increased by \$935 thousand as the result of the state selling XI-F(1) bonds on behalf of the university for the track and field restoration. The debt is repayable to the state.
- * EOU's obligation for accreted interest on outstanding debt decreased by a net \$52 thousand.
- * EOU added new debt of \$6 thousand for new capital leases and made principal payments of \$12 thousand on capital leases.

During 2018, long-term debt held by EOU decreased by \$1,390 thousand, or 6 percent, from \$23,006 thousand to \$21,616 thousand.

- * EOU made debt service principal payments totaling \$1,312 thousand on outstanding long-term debt.
- * EOU's obligation for accreted interest on outstanding debt decreased by a net \$65 thousand.
- * EOU made principal payments of \$13 thousand on capital leases.

See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.

Long-term Debt (in 000,000's)



ECONOMIC OUTLOOK

Funding for the major activities of EOU comes from a variety of sources including tuition and fees, financial aid programs, federal and state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the university.

State funding levels continue to challenge EOU's ability to meet its public mission of teaching, research and service. While state funding to EOU has increased over the last few years, it is still dramatically lower than the per student level of state contribution that existed prior to the last recession. This low level of state support, combined with rising expenses, particularly compensation costs, has put increasing pressure on the institution to raise tuition.

The Eastern Oregon University Board of Trustees obtained all governance authority previously vested in the State Board of Higher Education on July 1, 2015. The EOU Board of Trustees has broad financial management authority, is able to issue institution-specific revenue bonds, and retains the authority to hire and evaluate the university president.

Despite the legislature's increased state operating support specifically to limit increases in resident undergraduate tuition in the previous biennium, there were still many unknowns at the beginning of the 2017-19 biennium. Then again for the 2019-21 biennium, EOU faced unknowns in funding. For the 2018-19 academic year, the EOU Board of Trustees approved a 3.3% increase in resident undergraduate tuition for on campus courses and an average tuition increase of 3.6% for all other enrollment categories. For the 2019-20 academic year, the EOU Board of Trustees approved a 4.9% tuition increase for all tuition

categories. EOU continues to maintain tuition levels at the lowest in the state for all public universities. EOU has worked diligently to repair and maintain our financial position primarily through cost containment. Increases in revenue were allocated to support investments, which aligned with the goals in the Ascent 2029.

The University is focused on responsible stewardship of its financial resources. As we continue to plan our future, we recognize that the forces at work in higher education require EOU to be even more pro-active in reshaping our operating practices. EOU will continue to face intense economic pressures from competition, uncertainties in state funding and significant operating cost escalators; however, despite these issues, EOU's financial foundation is solid.

EOU remains challenged to balance the investment of state funding with aspirations related to Oregon's 40/40/20 goals: 40 percent of all adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associates' degree or meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025.

The EOU Board of Trustees and university leadership have reaffirmed their commitment to meeting these challenges by adopting the Ascent 2029 university strategic plan, which focuses on student success, transformational education, building a thriving university community, bolstering enrollment, relevance and interconnection, and financial sustainability. The plan focuses on ensuring the long-term financial health of the institution by actively seeking operating efficiencies, diversifying funding sources, and acting on the primary goal of graduating students with the competencies and confidence to succeed.



EASTERN OREGON UNIVERSITY STATEMENTS OF NET POSITION

| As of June 30, | 2019 | 2018 |
|--|-------------------|-------------------|
| | (In thousands) | |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents (Note 2) | \$ 8,660 | \$ 7,017 |
| Collateral from Securities Lending (Note 2) | 588 | 820 |
| Accounts Receivable, Net (Note 3) | 5,053 | 4,732 |
| Notes Receivable, Net (Note 4) | 1,292 | 200 |
| Inventories | 17 | 10 |
| Prepaid Expenses | 29 | 57 |
| Total Current Assets | 15,639 | 12,836 |
| Noncurrent Assets | | |
| Cash and Cash Equivalents (Note 2) | - | 531 |
| Investments (Note 2) | 11,972 | 13,194 |
| Notes Receivable, Net (Note 4) | 505 | 809 |
| Net OPEB Asset (Note 15) | 157 | 58 |
| Capital Assets, Net of Accumulated Depreciation (Note 5) | 73,578 | 73,011 |
| Total Noncurrent Assets | 86,212 | 87,603 |
| Total Assets | \$ 101,851 | \$ 100,439 |
| DEFERRED OUTFLOWS OF RESOURCES (Note 6) | \$ 7,110 | \$ 6,497 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Liabilities (Note 7) | \$ 3,509 | \$ 4,453 |
| Deposits | 293 | 272 |
| Obligations Under Securities Lending (Note 2) | 588 | 820 |
| Current Portion of Long-Term Liabilities (Note 9) | 3,153 | 2,811 |
| Unearned Revenues | 2,276 | 2,179 |
| Total Current Liabilities | 9,819 | 10,535 |
| Noncurrent Liabilities | | |
| Long-Term Liabilities (Note 9) | 21,950 | 22,953 |
| Net Pension Liability (Note 14) | 17,734 | 16,689 |
| OPEB Liability (Note 15) | 1,290 | 1,279 |
| Total Noncurrent Liabilities | 40,974 | 40,921 |
| Total Liabilities | \$ 50,793 | \$ 51,456 |
| DEFERRED INFLOWS OF RESOURCES (Note 6) | \$ 1,680 | \$ 405 |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 52,552 | \$ 51,534 |
| Restricted For: | | |
| Nonexpendable Endowments | 554 | 554 |
| Expendable: | | |
| Gifts, Grants and Contracts | 1,297 | 1,222 |
| Student Loans | 295 | 304 |
| Capital Projects | 77 | 62 |
| Debt Service | 449 | 421 |
| OPEB Asset | 157 | 58 |
| Unrestricted (Note 10) | 1,107 | 920 |
| Total Net Position | \$ 56,488 | \$ 55,075 |

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

EOU FOUNDATION

STATEMENTS OF FINANCIAL POSITION

| As of December 31, | 2018 | 2017 |
|---|------------------|------------------|
| | (In thousands) | |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,053 | \$ 3,881 |
| Pledges Receivable, Net | 959 | 401 |
| Investments (Note 2) | 11,573 | 11,335 |
| Assets Held Under Split-Interest Agreements | 242 | - |
| Beneficial Interests | 416 | 725 |
| Property and Equipment, Net | 1,105 | 1,092 |
| Total Assets | \$ 17,348 | \$ 17,434 |
| LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | \$ 26 | \$ 92 |
| Accounts Payable to University | 1,365 | 1,540 |
| Total Liabilities | \$ 1,391 | \$ 1,632 |
| NET ASSETS | | |
| Without Donor Restrictions | \$ 1,106 | \$ 1,277 |
| With Donor Restrictions | 14,851 | 14,525 |
| Total Net Assets | \$ 15,957 | \$ 15,802 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 17,348 | \$ 17,434 |

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

EASTERN OREGON UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET POSITION

| For the Year Ended June 30, | 2019 | 2018 |
|---|------------------|------------------|
| | (In thousands) | |
| OPERATING REVENUES | | |
| Student Tuition and Fees (Net of Allowances of \$6,102 and \$5,536, respectively) | \$ 17,598 | \$ 16,674 |
| Federal Grants and Contracts | 2,525 | 2,616 |
| State and Local Grants and Contracts | 1,625 | 1,034 |
| Nongovernmental Grants and Contracts | 300 | 275 |
| Educational Department Sales and Services | 444 | 393 |
| Auxiliary Enterprises Revenues (Net of Allowances of \$411 and \$369, respectively) | 6,190 | 5,996 |
| Other Operating Revenues | 390 | 573 |
| Total Operating Revenues | 29,072 | 27,561 |
| OPERATING EXPENSES | | |
| Instruction | 15,968 | 15,850 |
| Research | 604 | 612 |
| Public Service | 3,008 | 2,842 |
| Academic Support | 7,520 | 6,955 |
| Student Services | 3,260 | 2,928 |
| Auxiliary Programs | 8,248 | 8,049 |
| Institutional Support | 9,691 | 9,641 |
| Operation and Maintenance of Plant | 3,747 | 3,482 |
| Student Aid | 4,040 | 3,725 |
| Other Operating Expenses | 3,732 | 3,523 |
| Total Operating Expenses (Note 12) | 59,818 | 57,607 |
| Operating Loss | (30,746) | (30,046) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Government Appropriations (Note 13) | 20,814 | 20,508 |
| Financial Aid Grants | 6,828 | 6,219 |
| Gifts | 812 | 626 |
| Investment Activity (Note 11) | 1,068 | 254 |
| Loss on Sale of Assets, Net | (24) | (163) |
| Interest Expense | (1,018) | (1,081) |
| Perkins Loan Program Termination (Note 1, Section W) | - | (1,049) |
| Other Nonoperating Items | 115 | 132 |
| Net Nonoperating Revenues | 28,595 | 25,446 |
| Loss Before Other Revenues | (2,151) | (4,600) |
| Debt Service Appropriations (Note 13) | 638 | 638 |
| Capital Grants and Gifts | 2,926 | 4,054 |
| Total Other Revenues | 3,564 | 4,692 |
| Increase In Net Position | 1,413 | 92 |
| NET POSITION | | |
| Beginning Balance | 55,075 | 55,556 |
| Change in Accounting Principle (Note 1, Section Y) | - | (573) |
| Beginning Balance, Restated | 55,075 | 54,983 |
| Ending Balance | \$ 56,488 | \$ 55,075 |

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

EOU FOUNDATION STATEMENTS OF ACTIVITIES

| For the Year Ended December 31, | 2018 | 2017 |
|---|------------------|------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (In thousands) | |
| REVENUES | | |
| Contributions | \$ 372 | \$ 284 |
| Investment Income (Loss), Net | (4) | 35 |
| Net Assets Released From Restrictions | 1,003 | 658 |
| Donor Requested Transfers | - | (2) |
| Other Revenues | 219 | 238 |
| Total Revenues | 1,590 | 1,213 |
| EXPENSES | | |
| University Support | 1,131 | 744 |
| General and Administrative | 269 | 238 |
| Fundraising Support | 361 | 217 |
| Total Expenses | 1,761 | 1,199 |
| Increase (Decrease) In Net Assets Without Donor Restrictions | (171) | 14 |
| Beginning Net Assets Without Donor Restrictions | 1,277 | 1,263 |
| Ending Net Assets Without Donor Restrictions | 1,106 | 1,277 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| REVENUES | | |
| Grants, Bequests and Gifts | 1,949 | 1,646 |
| Investment Income (Loss), Net | (706) | 1,311 |
| Donor Requested Transfers | - | 2 |
| Other Revenues | 86 | 196 |
| Net Assets Released from Restrictions | (1,003) | (658) |
| Increase In Net Assets With Donor Restrictions | 326 | 2,497 |
| Beginning Net Assets With Donor Restrictions | 14,525 | 12,028 |
| Ending Net Assets With Donor Restrictions | 14,851 | 14,525 |
| Increase In Total Net Assets | 155 | 2,511 |
| Beginning Balance, Total Net Assets | 15,802 | 13,291 |
| Ending Balance, Total Net Assets | \$ 15,957 | \$ 15,802 |

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

EASTERN OREGON UNIVERSITY

STATEMENTS OF CASH FLOWS

| For the Year Ended June 30, | 2019 | 2018 |
|--|-----------------|-----------------|
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and Fees | \$ 18,001 | \$ 16,625 |
| Grants and Contracts | 3,837 | 4,449 |
| Educational Department Sales and Services | 444 | 393 |
| Auxiliary Enterprises Operations | 6,197 | 6,087 |
| Payments to Employees for Compensation and Benefits | (37,642) | (35,899) |
| Payments to Suppliers | (13,227) | (10,516) |
| Student Financial Aid | (4,075) | (3,975) |
| Other Operating Receipts | 432 | 744 |
| Net Cash Used by Operating Activities | (26,033) | (22,092) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Government Appropriations | 20,814 | 20,508 |
| Financial Aid Grants | 6,828 | 6,219 |
| Gifts | 812 | 626 |
| Net Internal Agency Fund Receipts (Payments) | 41 | (34) |
| Net Cash Provided by Noncapital Financing Activities | 28,495 | 27,319 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Debt Service Appropriations | 638 | 638 |
| Capital Grants and Gifts | 3,155 | 3,458 |
| Bond Proceeds from Capital Debt | 935 | - |
| Sales of Capital Assets | 4 | 289 |
| Purchases of Capital Assets | (5,892) | (5,929) |
| Interest Payments on Capital Debt | (1,035) | (1,048) |
| Principal Payments on Capital Debt | (1,445) | (1,390) |
| Net Cash Used by Capital and Related Financing Activities | (3,640) | (3,982) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Sales (Purchases) of Investments | 1,652 | (460) |
| Income on Investments and Cash Balances | 638 | 433 |
| Net Cash Provided (Used) by Investing Activities | 2,290 | (27) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,112 | 1,218 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning Balance | 7,548 | 6,330 |
| Ending Balance | \$ 8,660 | \$ 7,548 |

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

EASTERN OREGON UNIVERSITY STATEMENTS OF CASH FLOWS, CONT

| For the Year Ended June 30, | 2019 | 2018 |
|--|--------------------|--------------------|
| | (In thousands) | |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (30,746) | \$ (30,046) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 4,233 | 4,010 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (570) | 574 |
| Notes Receivable | 312 | 17 |
| Inventories | (7) | (4) |
| Prepaid Expenses | 28 | (24) |
| Accounts Payable and Accrued Liabilities | (927) | 1,251 |
| Long-Term Liabilities | (72) | 3 |
| Unearned Revenue | 97 | 146 |
| Net Pension Liability and Related Deferrals | 1,701 | 2,038 |
| OPEB Asset/(Liability) and Related Deferrals | (82) | (57) |
| NET CASH USED BY OPERATING ACTIVITIES | \$ (26,033) | \$ (22,092) |
| NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS | | |
| Capital Assets Acquired by Incurring Capital Lease Obligations | \$ 6 | \$ - |
| Change in Fair Value of Investments Recognized as a Component of Investment Activity | 430 | (179) |

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

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Eastern Oregon University (EOU, university) is governed by the Eastern Oregon University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the Oregon State Senate. EOU is located in La Grande, Oregon.

The financial reporting entity includes EOU and the EOU Foundation (foundation) as a discretely presented component unit under the guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Discretely presented means that the statements are included separately in the financial report. See Note 20 EOU Foundation for additional information relating to this component unit.

The Governor of the State of Oregon (state) appoints the EOU Board and because EOU receives some financial support from the state, EOU is a discretely presented component unit and is included in the state's comprehensive annual financial report.

B. FINANCIAL STATEMENT PRESENTATION

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

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

Financial statements of the foundation for the fiscal years ended December 31, 2018 and 2017 are discretely presented because of the difference in its reporting model. The foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria

and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the university. No modifications have been made to the foundation's financial information included in the university's financial report.

C. BASIS OF ACCOUNTING

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

There were no new GASB standards effective for fiscal year 2019 that had a significant impact on EOU.

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 may apply to custodial funds, primarily for student groups, held 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 lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. This Statement will substantially impact the university's lease accounting and reporting.

Between July 2018 and June 2019, GASB issued the following statements which do not currently, but could under certain circumstance in the future, apply to EOU: Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 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. Cash and cash equivalents consists of cash on hand, cash and investments held by the state in the Oregon Short-Term Fund (OSTF), and cash held by U.S. Bank as required by the U.S. Department of Education for Title IV funds.

E. INVESTMENTS

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

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

F. RECEIVABLES

Accounts receivable consists primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable for tuition and fee charges are recorded net of estimated uncollectible amounts in accordance with generally accepted accounting principles. Grants and contracts receivable include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the university's grants and contracts. 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.

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. EOU capitalizes equipment with unit costs of five thousand dollars or more and an estimated useful life of greater than one year. EOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of \$50 to \$100, depending on the type of real property. Intangible assets valued in excess of \$100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to land, museum collections, works of art or historical treasures, or library special collections.

I. UNEARNED REVENUES

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

J. COMPENSATED ABSENCES

EOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. An estimate is made to allocate this liability between its current and noncurrent components.

Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

K. NET PENSION LIABILITY

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

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

M. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. These deferred outflows have a positive effect on net position that is similar to assets, but they are not considered assets. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. These deferred inflows have a negative effect on net position that is similar to liabilities, but they are not considered liabilities. Deferred outflows and inflows are related to defined benefit pension

plans and other postemployment benefits. See Note 6 Deferred Inflows and Deferred Outflows of Resources, Note 14 Employee Retirement Plans and Note 15 Other Postemployment Benefit Plans (OPEB) for additional information.

N. NET POSITION

EOU'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, less outstanding debt obligations related to those capital assets.

Restricted – Nonexpendable

Restricted nonexpendable consists of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

Restricted – Expendable

Restricted expendable includes resources which EOU is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted

Unrestricted are resources that may be used at the discretion of the Board.

O. RESTRICTED/UNRESTRICTED RESOURCES

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

P. ENDOWMENTS

The university's endowment assets are invested and managed by the EOU Foundation in accordance with a fund management agreement between the university and the foundation. The endowment investments are invested with the objectives of long-term capital appreciation and stable but growing income stream. Per the agreement, the university policy is to distribute 5.5 percent of true endowment earnings, in quarterly installments. Earnings of quasi endowments are expended as needed. All endowments are managed for long-term growth.

For the year ended June 30, 2019 and 2018, the net amount of appreciation available for authorization for expenditure was \$547 and \$554, respectively.

Nonexpendable Endowments on the Statement of Net Position of \$554 at June 30, 2019 and 2018, represents the original corpus of true endowment funds and does not include the accumulated gains of those endowments. The EOU Foundation manages the endowment funds, however the assets belong to EOU and both the corpus and the net undistributed appreciation are included in the Statement of Net Position for EOU as investments.

Q. INCOME TAXES

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

R. REVENUES AND EXPENSES

EOU 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, EOU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and loss on sale of assets.

S. STATE SUPPORT

EOU 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 13 for details on appropriations.

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

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

T. ALLOWANCES

Student tuition and fees and campus housing revenues included in auxiliary 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 statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the university has reported a corresponding scholarship allowance.

EOU has three types of allowances that net into tuition and fees and housing revenues. Tuition and housing waivers, provided directly by EOU, amounted to \$2,735 and \$2,591 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 \$3,759 and \$3,234 for the fiscal years ended 2019 and 2018, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be \$19 and \$80 for the fiscal years ended 2019 and 2018, respectively.

U. FEDERAL STUDENT LOAN PROGRAMS

EOU receives proceeds from the Federal Direct Student Loan Program. Since EOU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an agency fund and included in deposits in the Statement of Net Position. Federal student loans received by EOU students but not reported in operations were \$13,612 and \$14,898 for the fiscal years ended 2019 and 2018, respectively.

V. DEPOSIT LIABILITIES

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

W. PERKINS LOAN PROGRAM TERMINATION

EOU 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 has 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 Congress did not renew the program. Institutions have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the FCC portion as loans are repaid. EOU has elected to continue to collect on Perkins loans and return the FCC portion as it is collected. Historically, the balance of the Perkins loans was reported in Notes Receivable and in Restricted Net Position Expendable for Student Loans. Due to the impending termination of the program and the university being required to return the FCC in future years, a liability has been established for the amount of the remaining FCC due to the ED. The liability is reported in current and noncurrent long-term liabilities.

X. USE OF ESTIMATES

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

Y. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018. The state did not determine the amounts as of June 30, 2016 so restatement of all prior periods presented is not possible. The cumulative effect of applying GASB Statement No. 75 is reported as a restatement of beginning net position as of July 1, 2017 as follows:

| | July 1, 2017 |
|---|-----------------|
| Beginning Net Position | \$ 55,556 |
| Less Beginning Net PERS RHIA OPEB Liability | (36) |
| Less Beginning Net PERS RHIPA OPEB Liability | (241) |
| Plus Reversal of Prior Year PEBB OPEB Liability | 612 |
| Less Beginning Total PEBB OPEB Liability | (1,032) |
| Plus Beginning Deferred Outflows | 124 |
| Total Change in Accounting Principle | (573) |
| Restated Beginning Net Position | \$54,983 |

2. CASH AND INVESTMENTS

The majority of EOU's cash and investments were held in custody with the Oregon State Treasury (OST) during fiscal years 2019 and 2018. The OST manages these invested assets through commingled investment pools. The operating funds of EOU are commingled with cash and investments from five other public universities in Oregon 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, currently Oregon State University. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The 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 for each investment pool held in the PUF.

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 the investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the investment risk exposures, see Note 2.B.

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 via the internet at: www.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx

A. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2019 and 2018 as follows:

| | June 30, 2019 | June 30, 2018 |
|---|------------------|------------------|
| Current | | |
| Unrestricted | \$ 5,916 | \$ 4,582 |
| Restricted For: | | |
| Gifts, Grants and Contracts | 33 | - |
| Student Aid | 215 | 107 |
| Debt Service | 119 | 98 |
| Payroll Withholdings | 1,751 | 1,730 |
| Student Groups and Campus Organizations | 199 | 169 |
| US Bank | 423 | 324 |
| Petty Cash | 4 | 7 |
| Total Current | 8,660 | 7,017 |
| Noncurrent | | |
| Unrestricted | - | 531 |
| Total Noncurrent | - | 531 |
| Total Cash and Cash Equivalents | \$ 8,660 | \$ 7,548 |

Noncurrent, unrestricted cash consisted of student building fee funds and cash in capital construction funds. Prior to July 1, 2015, the student building fee funds were restricted for future debt service payments or other capital project expenses. The Board of Trustees now has spending authority over these funds, which are no longer restricted. The portion of the student building fee funds that will be used for debt service payable in 2020 is reported as current cash. As of June 30, 2019 there are no amounts of noncurrent, unrestricted cash.

Deposits with State Treasury

EOU maintains the majority of its cash balances on deposit with the OST. These deposits at the OST are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool available for use by all state agencies or by agreement for related agencies, such as EOU. The OST invests these deposits in high-grade short-term investment securities. While the university is not required by statute to collateralize deposits, they do have a contractual obligation with the OST to collateralize deposits within 24 hours of receipt. At the fiscal years ended June 30, 2019 and 2018, EOU cash and cash equivalents on deposit at OST totaled \$8,233 and \$7,217, respectively.

Other Deposits

For the year ended June 30, 2019 and 2018, EOU had cash at U.S. Bank held for Title IV Perkins Loans of \$423 and \$324, respectively. Additionally, for the year ended June 30, 2019 and 2018, EOU had vault and petty cash balances of \$4 and \$7, 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. EOU 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 custodial risk.

Foreign Currency Risk—Deposits

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

B. INVESTMENTS

EOU'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. EOU endowments are invested and managed by the EOU Foundation. These endowment assets are invested in the EOU 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. See Note 1.P for additional information regarding EOU endowments.

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 EOU'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. At June 30, 2019, EOU had \$11,972 in investments; \$10,470 invested through the PUF CBF and \$1,502 of restricted endowments managed by the foundation.

At June 30, 2018, EOU had \$13,194 in investments; \$11,681 invested through the PUF CBF and \$1,513 of restricted endowments managed by the foundation.

Investments of the EOU discretely presented component units are summarized as follows:

| Fair Value at December 31, Investment Type: | 2018 | 2017 |
|--|------------------|------------------|
| Corporate Equity Mutual Funds | \$ 5,954 | \$ 7,237 |
| Corporate Debt Mutual Funds | 5,166 | 3,695 |
| Money Market Funds | 453 | 403 |
| Total Investments | <u>\$ 11,573</u> | <u>\$ 11,335</u> |

Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. EOU has separate investment policies for its operating and endowment assets. As of June 30, 2019, approximately 93.3 percent of investments in the PUF CBF were subject to credit risk reporting. PUF CBF investments totaled \$338,348, of which EOU owned \$10,470 or 3.1 percent. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled \$209,190 at June 30, 2019. Fixed income securities which have not been evaluated by the rating agencies totaled \$106,502 at June 30, 2019. Of the EOU endowments managed by the 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 investments in the PUF CBF were subject to credit risk reporting. PUF CBF investments totaled \$347,585, of which EOU owned \$11,681 or 3.1 percent. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled \$269,463 at June 30, 2018. Fixed income securities which have not been evaluated by the rating agencies totaled \$78,122 at June 30, 2018. Of the EOU endowments managed by the 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

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

OST 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 in the PUF CBF 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. The PUF policy for reducing this risk for fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer or no more than three percent of the individual issue. The PUF held no securities from a single issuer that exceeded five percent of the bond portfolio.

Foreign Currency Risk

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 CBF investments had reportable foreign currency risk at June 30, 2019 or 2018.

Of the EOU endowments invested by the foundation at June 30, 2019 and 2018, respectively, \$270, or 18.0 percent, and \$343, or 22.7 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 in the PUF CBF held subject to interest rate risk totaling \$315,692 had an average duration of 3.39 years. Additionally, securities of the endowment investments held subject to interest rate risk totaling \$533 had an average duration of 3.42 years. As of June 30, 2018, securities in the PUF CBF held subject to interest rate risk totaling \$347,585 had an average duration of 3.71 years. Additionally, securities of the endowment investments held subject to interest rate risk totaling \$533 had an average duration of 4.47 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 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

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.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments valued at net asset value per share are not required to be leveled as described previously. The fair value of EOU's investments in the PUF CBF at June 30, 2019 and 2018 totaled \$10,470 and \$11,681, respectively.

The university's investments at the foundation are all level 3 since the underlying inputs are unobservable.

The component unit investments are all valued using level 1 inputs as of December 31, 2018 and 2017.

C. SECURITIES LENDING

In accordance with the state investment policies, the state participates in securities lending transactions. The OST 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. EOU'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 reinvest cash collateral received on behalf of the OSTF and Oregon state agencies and related agencies, including EOU. 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 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.

The fair value of the university's share of securities lending balances on loan as of June 30, 2019 and 2018 comprised the following:

| | June 30, 2019 | June 30, 2018 |
|-------------------------------------|------------------|------------------|
| Investment Type | | |
| U.S. Treasury and Agency Securities | \$ 831 | \$ 783 |
| Domestic Fixed Income Securities | 190 | 741 |
| Total | \$ 1,021 | \$ 1,524 |

The fair value of the university's share of total cash and securities collateral received as of June 30, 2019 and 2018, was \$1,042 and \$1,555, respectively. The fair value of the university's share of investments purchased with cash collateral as of June 30, 2019 and 2018, was \$588 and \$820 respectively.

3. ACCOUNTS RECEIVABLE

Accounts Receivable comprised the following:

| | June 30, 2019 | June 30, 2018 |
|--|------------------|------------------|
| Student Tuition and Fees | \$ 3,824 | \$ 4,123 |
| Construction Reimbursements from State | 864 | 1,093 |
| Auxiliary Enterprises and Other | | |
| Operating Activities | 317 | 324 |
| Federal Grants and Contracts | 223 | 273 |
| State, Other Government, and Private | | |
| Gifts, Grants and Contracts | 980 | 212 |
| Component Unit | 5 | 25 |
| Other | 49 | 91 |
| | 6,262 | 6,141 |
| Less: Allowance for Doubtful Accounts | (1,209) | (1,409) |
| Accounts Receivable, Net | \$ 5,053 | \$ 4,732 |

4. NOTES RECEIVABLE

Student loans made through the federal Perkins Loan Program are funded through interest earnings and repayment of loans. Federal Perkins loans deemed uncollectable 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, the Federal Capital Contribution (FCC) portion of the loan program will be returned to the ED as loans are collected. See Note 1, Section W for additional information. Institutional and other student loans include loans offered through

the university itself and other various non-federal loan programs. EOU has provided an allowance for uncollectable loans, which in management's opinion will absorb loans that will ultimately be written off.

Notes Receivable comprised the following:

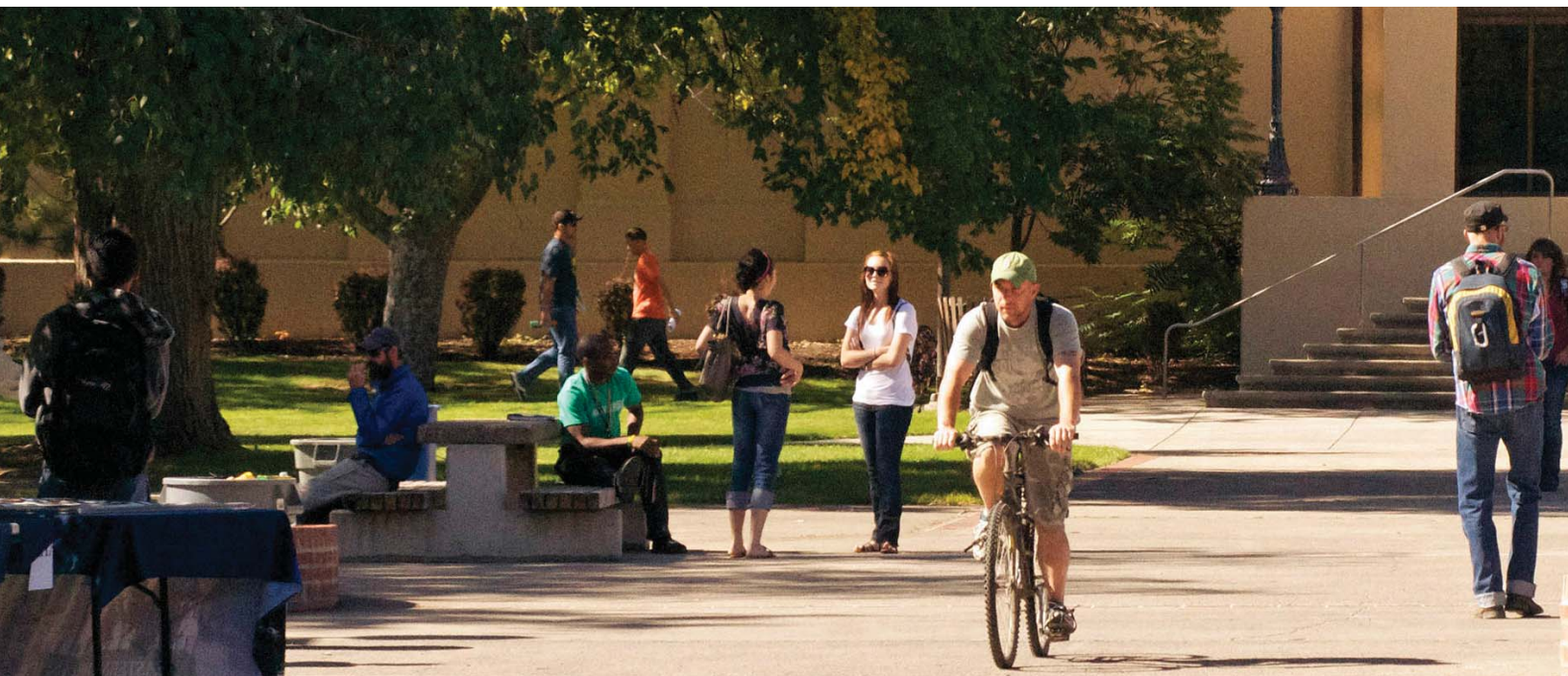
| | June 30, 2019 | | |
|------------------------------|-----------------|---------------|-----------------|
| | Current | Noncurrent | Total |
| Institutional and Other | | | |
| Student Loans | \$ 13 | \$ 3 | \$ 16 |
| Federal Student Loans | 223 | 700 | 923 |
| XI-F Bonds from State | 1,100 | - | 1,100 |
| | 1,336 | 703 | 2,039 |
| Less: Allowance for Doubtful | | | |
| Accounts | (44) | (198) | (242) |
| Notes Receivable, Net | \$ 1,292 | \$ 505 | \$ 1,797 |
| | June 30, 2018 | | |
| | Current | Noncurrent | Total |
| Institutional and Other | | | |
| Student Loans | \$ 21 | \$ 4 | \$ 25 |
| Federal Student Loans | 223 | 1,003 | 1,226 |
| | 244 | 1,007 | 1,251 |
| Less: Allowance for Doubtful | | | |
| Accounts | (44) | (198) | (242) |
| Notes Receivable, Net | \$ 200 | \$ 809 | \$ 1,009 |



5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

| | Balance July 1, 2017 | Additions | Transfer Completed Assets | Retire. And Adjust. | Balance June 30, 2018 | Additions | Transfer Completed Assets | Retire. And Adjust. | Balance June 30, 2019 |
|--|----------------------------|-----------------|---------------------------------|---------------------------|-----------------------------|-----------------|---------------------------------|---------------------------|-----------------------------|
| Capital Assets, | | | | | | | | | |
| Non-depreciable/Non-amortizable: | | | | | | | | | |
| Land | \$ 1,039 | \$ - | \$ - | \$ (70) | \$ 969 | \$ - | \$ - | \$ - | \$ 969 |
| Capitalized Collections | 341 | - | - | - | 341 | - | - | (1) | 340 |
| Construction in Progress | 696 | 3,989 | (31) | (213) | 4,441 | 1,646 | (2,228) | (1,687) | 2,172 |
| Total Capital Assets, Non-depreciable/Non-amortizable | 2,076 | 3,989 | (31) | (283) | 5,751 | 1,646 | (2,228) | (1,688) | 3,481 |
| Capital Assets, Depreciable/ Amortizable: | | | | | | | | | |
| Equipment | 7,950 | 478 | - | (390) | 8,038 | 336 | - | (291) | 8,083 |
| Library Materials | 9,085 | 316 | - | (29) | 9,372 | 313 | - | (27) | 9,658 |
| Buildings | 110,500 | 246 | - | (329) | 110,417 | 148 | - | (1) | 110,564 |
| Land Improvements | 2,334 | 69 | 31 | - | 2,434 | 4,073 | 2,228 | - | 8,735 |
| Improvements Other Than Buildings | 490 | 78 | - | - | 568 | - | - | - | 568 |
| Infrastructure | 2,431 | 884 | - | - | 3,315 | - | - | - | 3,315 |
| Intangible Assets | 1,870 | - | - | - | 1,870 | - | - | - | 1,870 |
| Total Capital Assets, Depreciable/Amortizable | 134,660 | 2,071 | 31 | (748) | 136,014 | 4,870 | 2,228 | (319) | 142,793 |
| Less Accumulated Depreciation/ Amortization for: | | | | | | | | | |
| Equipment | (6,848) | (268) | - | 379 | (6,737) | (282) | - | 264 | (6,755) |
| Library Materials | (7,748) | (262) | - | 30 | (7,980) | (260) | - | 27 | (8,213) |
| Buildings | (44,676) | (3,304) | - | 171 | (47,809) | (3,306) | - | - | (51,115) |
| Land Improvements | (1,405) | (119) | - | - | (1,524) | (281) | - | - | (1,805) |
| Improvements Other Than Buildings | (425) | (14) | - | - | (439) | (13) | - | - | (452) |
| Infrastructure | (2,383) | (10) | - | - | (2,393) | (91) | - | - | (2,484) |
| Intangible Assets | (1,839) | (33) | - | - | (1,872) | - | - | - | (1,872) |
| Total Accumulated Depreciation/ Amortization | (65,324) | (4,010) | - | 580 | (68,754) | (4,233) | - | 291 | (72,696) |
| Total Capital Assets, Net | \$ 71,412 | \$ 2,050 | \$ - | \$ (451) | \$ 73,011 | \$ 2,283 | \$ - | \$ (1,716) | \$ 73,578 |
| Capital Assets Summary | | | | | | | | | |
| Capital Assets, Non-depreciable/ Non-amortizable | \$ 2,076 | \$ 3,989 | \$ (31) | \$ (283) | \$ 5,751 | \$ 1,646 | \$ (2,228) | \$ (1,688) | \$ 3,481 |
| Capital Assets, Depreciable/ Amortizable | 134,660 | 2,071 | 31 | (748) | 136,014 | 4,870 | 2,228 | (319) | 142,793 |
| Total Cost of Capital Assets | 136,736 | 6,060 | - | (1,031) | 141,765 | 6,516 | - | (2,007) | 146,274 |
| Less Accumulated Depreciation/ Amortization | (65,324) | (4,010) | - | 580 | (68,754) | (4,233) | - | 291 | (72,696) |
| Total Capital Assets, Net | \$ 71,412 | \$ 2,050 | \$ - | \$ (451) | \$ 73,011 | \$ 2,283 | \$ - | \$ (1,716) | \$ 73,578 |



6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows and Deferred Inflows of Resources comprised the following:

| | June 30, 2019 | June 30, 2018 |
|--|------------------|------------------|
| Deferred Outflows | | |
| Pension | | |
| Contributions Subsequent to the Measurement Date | \$ 1,695 | \$ 1,639 |
| Change in Proportionate Share | 489 | 679 |
| Differences Between Contributions and Proportionate Share of Contributions | 5 | 13 |
| Difference Between Expected and Actual Experience | 603 | 807 |
| Changes in Assumptions | 4,123 | 3,042 |
| Net difference Between Projected and Actual Earnings on Plan Investments | - | 172 |
| OPEB | | |
| Contributions Subsequent to the Measurement Date | 142 | 134 |
| Change in Proportionate Share | 18 | 10 |
| Differences Between Contributions and Proportionate Share of Contributions | 4 | 1 |
| Changes in Assumptions | 31 | - |
| Total Deferred Outflows | \$ 7,110 | \$ 6,497 |
| Deferred Inflows | | |
| Pension | | |
| Change in Proportionate Share | \$ 557 | \$ - |
| Differences Between Contributions and Proportionate Share of Contributions | 227 | 352 |
| Net difference Between Projected and Actual Earnings on Plan Investments | 787 | - |
| OPEB | | |
| Change in Proportionate Share | 31 | - |
| Difference Between Expected and Actual Experience | 21 | - |
| Changes in Assumptions | 20 | 23 |
| Net difference Between Projected and Actual Earnings on Plan Investments | 37 | 30 |
| Total Deferred Inflows | \$ 1,680 | \$ 405 |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities is comprised of the following:

| | June 30, 2019 | June 30, 2018 |
|-----------------------|------------------|------------------|
| Payroll Related | \$ 1,743 | \$ 1,721 |
| Services and Supplies | 533 | 1,649 |
| Salaries and Wages | 942 | 770 |
| Accrued Interest | 291 | 308 |
| Other | - | 5 |
| Total | \$ 3,509 | \$ 4,453 |

8. OPERATING LEASES

A. RECEIVABLES/REVENUES

EOU receives income from property that is leased to outside entities under noncancelable operating leases. Rental income received from leases was \$752 and \$750 for the years ended June 30, 2019 and 2018, respectively. The original cost of assets leased, net of depreciation, was \$4,177 and \$4,824 for the years ended June 30, 2019 and 2018, respectively.

Minimum future operating lease revenues as of June 30, 2019 are:

For the year ending June 30,

| | |
|---|-----------------|
| 2020 | \$ 746 |
| 2021 | 752 |
| 2022 | 180 |
| 2023 | 48 |
| Total Minimum Operating Lease Revenues | \$ 1,726 |

B. PAYABLES/EXPENSES

EOU leases building and office facilities and equipment under noncancelable operating leases. Total costs for such leases and rents were \$146 and \$145 for the years ended June 30, 2019 and 2018, respectively. Minimum future lease payments on operating leases at June 30, 2019 are:

For the year ending June 30,

| | |
|---|---------------|
| 2020 | \$ 41 |
| 2021 | 35 |
| 2022 | 31 |
| 2023 | 28 |
| 2024 | 3 |
| Total Minimum Operating Lease Payments | \$ 138 |

9. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 | Amount Due Within One Year | Long-Term Portion |
|--|-----------------------------|-----------------|-------------------|-----------------------------|----------------------------------|----------------------|
| Long-Term Debt | | | | | | |
| Due to the State of Oregon: | | | | | | |
| Contracts Payable | \$ 14,485 | \$ 942 | \$ (1,025) | \$ 14,402 | \$ 1,011 | \$ 13,391 |
| Oregon Department of Energy Loans (SELP) | 7,102 | - | (415) | 6,687 | 424 | 6,263 |
| Capital Leases | 29 | 6 | (12) | 23 | 13 | 10 |
| Total Long-Term Debt | 21,616 | 948 | (1,452) | 21,112 | 1,448 | 19,664 |
| Other Noncurrent Liabilities | | | | | | |
| PERS pre-SLGRP pooled Liability | 1,853 | - | (142) | 1,711 | 162 | 1,549 |
| Compensated Absences | 1,241 | 1,313 | (1,238) | 1,316 | 1,290 | 26 |
| Early Retirement Liability | 5 | - | (5) | - | - | - |
| Perkins Loan Program Liability | 1,049 | - | (85) | 964 | 253 | 711 |
| Total Other Noncurrent Liabilities | 4,148 | 1,313 | (1,470) | 3,991 | 1,705 | 2,286 |
| Total Long-Term Liabilities | \$ 25,764 | \$ 2,261 | \$ (2,922) | \$ 25,103 | \$ 3,153 | \$ 21,950 |

| | Balance June 30, 2017 | Additions | Reductions | Balance June 30, 2018 | Amount Due Within One Year | Long-Term Portion |
|--|-----------------------------|-----------------|-------------------|-----------------------------|----------------------------------|----------------------|
| Long-Term Debt | | | | | | |
| Due to the State of Oregon: | | | | | | |
| Contracts Payable | \$ 15,466 | \$ 11 | \$ (992) | \$ 14,485 | \$ 1,025 | \$ 13,460 |
| Oregon Department of Energy Loans (SELP) | 7,498 | - | (396) | 7,102 | 405 | 6,697 |
| Capital Leases | 42 | - | (13) | 29 | 11 | 18 |
| Total Long-Term Debt | 23,006 | 11 | (1,401) | 21,616 | 1,441 | 20,175 |
| Other Noncurrent Liabilities | | | | | | |
| PERS pre-SLGRP pooled Liability | 1,970 | - | (117) | 1,853 | 116 | 1,737 |
| Compensated Absences | 1,088 | 1,187 | (1,034) | 1,241 | 1,054 | 187 |
| Early Retirement Liability | 38 | - | (33) | 5 | 5 | - |
| Perkins Loan Program Liability | - | 1,049 | - | 1,049 | 195 | 854 |
| Total Other Noncurrent Liabilities | 3,096 | 2,236 | (1,184) | 4,148 | 1,370 | 2,778 |
| Total Long-Term Liabilities | \$ 26,102 | \$ 2,247 | \$ (2,585) | \$ 25,764 | \$ 2,811 | \$ 22,953 |

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

| For the Year Ending June 30, | Contracts Payable | SELP | Capital Leases | Total Payments | Principal | Interest |
|---|----------------------|-----------------|-------------------|-------------------|-----------|----------|
| 2020 | \$ 1,607 | \$ 723 | \$ 14 | \$ 2,344 | \$ 1,386 | \$ 958 |
| 2021 | 1,651 | 723 | 8 | 2,382 | 1,514 | 868 |
| 2022 | 1,574 | 723 | 2 | 2,299 | 1,483 | 816 |
| 2023 | 1,310 | 724 | - | 2,034 | 1,303 | 731 |
| 2024 | 1,306 | 723 | - | 2,029 | 1,358 | 671 |
| 2025-2029 | 5,896 | 3,616 | - | 9,512 | 7,146 | 2,366 |
| 2030-2034 | 4,853 | 1,590 | - | 6,443 | 5,636 | 807 |
| 2035-2039 | 1,248 | - | - | 1,248 | 1,200 | 48 |
| Accreted Interest | | | | | 86 | (86) |
| | | | | | \$ 21,112 | \$ 7,179 |
| Total Future Debt Service | 19,445 | 8,822 | 24 | 28,291 | | |
| Less: Interest Component of Future Payments | (5,043) | (2,135) | (1) | (7,179) | | |
| Principal Portion of Future Payments | \$ 14,402 | \$ 6,687 | \$ 23 | \$ 21,112 | | |

The state periodically issues bonded debt which it then loans to the university for capital construction. EOU has entered into contract loan agreements with the state for the principal and interest amounts due. In addition, EOU also borrows 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 happens the state is required to pass the savings on to the university.

A. CONTRACTS PAYABLE

EOU has entered into loan agreements with the state for repayment of XI-F(1) bonds issued by the state on behalf of EOU for capital construction and refunding of previously issued debt. EOU makes loan payments (principal and interest) to the state in accordance with the loan agreements. Loans, with interest rates ranging from 1.78 percent to 7.00 percent, are due serially through 2036.

During the fiscal year ended June 30, 2019, the state issued, on behalf of EOU, \$935 of Series 2019E XI-F(1) Tax Exempt bonds with an effective rate of 5.00 percent, due serially through 2030 for capital construction. The issuance resulted in an increase to EOU's contracts payable to the state.

Other changes to the university's contracts payable to the state during fiscal year ended June 30, 2019, include debt service payments for principal of \$966, and the addition of \$7 and the deduction of \$59 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 which resulted in either an increase or a decrease to EOU's contracts payable to the state. Other changes to the university's contracts payable to the state include debt service payments for principal of \$916, and the addition of \$11 and the deduction of \$76 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. OREGON DEPARTMENT OF ENERGY LOANS (SELP)

EOU has entered into loan agreements with the state Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at the university. EOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 3.73 percent to 5.15 percent, are due through fiscal year 2033.

C. CAPITAL LEASES

EOU has acquired assets under capital lease agreements. The cost of EOU assets held under capital leases totaled \$53 and \$57 as of June 30, 2019 and 2018, respectively. Accumulated depreciation of leased equipment totaled \$16 at June 30, 2019 and 2018.

The capital lease contracts run through fiscal year 2022. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. Interest rates on capitalized leases vary from 7.10 percent to 0.30 percent with a weighted average interest rate of 2.01 percent.

D. STATE AND LOCAL GOVERNMENT RATE POOL

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the state and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the state is being amortized over the period ending December 31, 2027. The liability is allocated by the state, based on salaries and wages, to all public universities, state proprietary funds and the government-wide reporting fund in the state comprehensive annual financial report. Interest expense was paid by EOU in the amount of \$123 and \$127 for fiscal years ended June 30, 2019 and 2018, respectively. Principal payments of \$142 and \$117 were applied to the liability for fiscal years ended June 30, 2019 and 2018, respectively.

E. EARLY RETIREMENT LIABILITY

EOU offered a tenure relinquishment plan that closed November 30, 2011. Faculty that accepted the plan retired by December 31, 2012 and received a fixed subsidy amount for health benefits covering the term until the faculty member turned 65. One faculty member received payments under this plan during fiscal year 2019. The liability has been fully paid out as of June 30, 2019.

F. PERKINS LOAN PROGRAM LIABILITY

During fiscal year 2018, EOU 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. EOU 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 W, Perkins Loan Program Termination for additional information.

10. UNRESTRICTED NET POSITION

Unrestricted net position is comprised of the following:

| | June 30, 2019 | June 30, 2018 |
|--|------------------|------------------|
| University Operations | \$ 17,728 | \$ 15,890 |
| Net Pension Liability (See Note 14) | (17,734) | (16,689) |
| Net Other Postemployment Benefits Liabilities (see Note 15) | (1,290) | (1,279) |
| Pension & OPEB Related Deferred Outflows (See Note 6) | 7,110 | 6,497 |
| Pension & OPEB Related Deferred Inflows (See Note 6) | (1,680) | (405) |
| State and Local Government Rate Pool (see Note 9) | (1,711) | (1,853) |
| Compensated Absences Liability (see Note 9) | (1,316) | (1,241) |
| Total Unrestricted Net Position | \$ 1,107 | \$ 920 |

11. INVESTMENT ACTIVITY

Investment activity detail is as follows:

| | June 30, 2019 | June 30, 2018 |
|---|------------------|------------------|
| Investment Earnings | \$ 674 | \$ 541 |
| Net Appreciation (Depreciation) of Investments | 430 | (179) |
| Interest Income | 5 | 3 |
| Loss on Sale of Investment | (41) | (111) |
| Total Investment Activity | \$ 1,068 | \$ 254 |

12. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The table on the next page displays operating expenses by both their functional classification and their natural classification. The reporting of the net pension liability and OPEB asset and liabilities, as required by GASB Statement Nos. 68, 71 and 75, affected the reported compensation and benefit expenses of EOU. Changes in the pension and OPEB expenses and associated reporting requirements increased the reported compensation and benefit expenses of EOU by \$1,620 and \$1,980 for the fiscal years ended June 30, 2019 and 2018, respectively.



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

| June 30, 2019 | Compensation and Benefits | Services and Supplies | Scholarships and Fellowships | Depreciation and Amortization | Other | Total |
|-----------------------------|------------------------------|--------------------------|------------------------------------|-------------------------------------|---------------|------------------|
| Instruction | \$ 15,344 | \$ 624 | \$ - | \$ - | \$ - | \$ 15,968 |
| Research | 499 | 48 | 57 | - | - | 604 |
| Public Services | 2,284 | 724 | - | - | - | 3,008 |
| Academic Support | 6,310 | 1,210 | - | - | - | 7,520 |
| Student Services | 2,779 | 481 | - | - | - | 3,260 |
| Auxiliary Services | 2,974 | 4,297 | 204 | 773 | - | 8,248 |
| Institutional Support | 6,413 | 3,260 | - | - | 18 | 9,691 |
| Operation & Maint. of Plant | 2,673 | 1,074 | - | - | - | 3,747 |
| Student Aid | 42 | - | 3,814 | - | 184 | 4,040 |
| Other | 65 | 207 | - | 3,460 | - | 3,732 |
| Total | \$ 39,383 | \$ 11,925 | \$ 4,075 | \$ 4,233 | \$ 202 | \$ 59,818 |

| June 30, 2018 | Compensation and Benefits | Services and Supplies | Scholarships and Fellowships | Depreciation and Amortization | Other | Total |
|-----------------------------|------------------------------|--------------------------|------------------------------------|-------------------------------------|---------------|------------------|
| Instruction | \$ 15,205 | \$ 641 | \$ 4 | \$ - | \$ - | \$ 15,850 |
| Research | 504 | 52 | 56 | - | - | 612 |
| Public Services | 2,232 | 609 | 1 | - | - | 2,842 |
| Academic Support | 6,006 | 949 | - | - | - | 6,955 |
| Student Services | 2,547 | 381 | - | - | - | 2,928 |
| Auxiliary Services | 3,010 | 4,085 | 188 | 766 | - | 8,049 |
| Institutional Support | 6,153 | 3,481 | - | - | 7 | 9,641 |
| Operation & Maint. of Plant | 2,556 | 926 | - | - | - | 3,482 |
| Student Aid | 44 | (145) | 3,726 | - | 100 | 3,725 |
| Other | 56 | 223 | - | 3,244 | - | 3,523 |
| Total | \$ 38,313 | \$ 11,202 | \$ 3,975 | \$ 4,010 | \$ 107 | \$ 57,607 |

13. GOVERNMENT APPROPRIATIONS

EOU 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 debt service of SELP loans. Appropriations for SELP debt service are based on the loan agreements between the university and the Oregon Department of Energy. Government appropriations is comprised of the following:

| | June 30, 2019 | June 30, 2018 |
|-----------------------------------|------------------|------------------|
| General Fund - Operations | \$ 20,357 | \$ 20,051 |
| General Fund - SELP Debt Service | 638 | 638 |
| Lottery Funding | 457 | 457 |
| Total State Appropriations | \$ 21,452 | \$ 21,146 |

14. EMPLOYEE RETIREMENT PLANS

The university offers various defined benefit and defined contribution retirement plans to qualified employees as described below.

A. PUBLIC EMPLOYEES RETIREMENT PLAN (PERS)

Organization

EOU 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

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

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

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses, net of administrative expenses. OPSRP is part of PERS and is administered by the 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's Comprehensive Financial Report. PERS issues a separate, publicly available financial report which includes an audit opinion that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

Plan Proportionate Share Allocation Methodology

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

Collective Pension Plan Liability

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

| | June 30, 2018 | June 30, 2017 |
|-----------------------------|------------------|------------------|
| 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 Measurement Date

The university is not aware of any changes to benefit terms 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 due to an other than duty-connected cause 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 2.00 percent.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.50 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 of annual benefit and 0.15 percent on annual benefits above \$60.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP IAP) PENSION PROGRAM

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

PENSION PLAN CONTRIBUTIONS

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

Employer contribution rates for the fiscal years ended June 30, 2019 and 2018 were based on the December 31, 2015 actuarial valuation.

The employer contribution rates for the PERS and OPSRP are as follows:

| | 2019 | 2018 |
|------------------------------|---------------|--------|
| Base Tier One/Two Rate | 15.09% | 15.09% |
| SLGRP Rate | 1.76% | 1.76% |
| RHIA/RHIPA OPEB Rate | 0.99% | 0.99% |
| Total PERS Tier One/Two Rate | 17.84% | 17.84% |
| Base OPSRP Rate | 8.21% | 8.21% |
| SLGRP Rate | 1.76% | 1.76% |
| RHIA/RHIPA OPEB Rate | 0.81% | 0.81% |
| Total OPSRP Rate | 10.78% | 10.78% |

The university's required employer contributions for PERS and OPSRP for the year ended June 30, 2019 and 2018, were \$2,101 and \$2,016, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability (see Note 9.D for additional information).

NET PENSION LIABILITY

At June 30, 2019 and 2018, the university reported a liability of \$17,734 and \$16,689, respectively, for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2019, was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The 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. The PERS system does not provide EOU an audited proportionate share as a separate employer; the university is a proportionate share of PERS employer state agencies which includes all state agencies. The State Department of Administrative Services (DAS) calculated EOU's proportional share of all state agencies internally based on actual contributions by EOU compared to the total for employer state agencies. The state Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, EOU's proportion was 0.12 percent of the statewide pension plan.

For the year ended June 30, 2019 and 2018, EOU recorded total pension expense of \$3,396 and \$3,676, respectively, due to the changes in net pension liability, deferred inflows, and deferred outflows.

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. 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
- * Difference between employer contributions and proportionate share of contributions

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize 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 Jun 30, 2018 - 5.2 years
- * Measurement period ended Jun 30, 2017 - 5.3 years

- * Measurement period ended Jun 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, EOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 603 | \$ - |
| Changes of assumptions | 4,123 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 787 |
| Change in proportionate share | 489 | 557 |
| Difference between contributions and proportionate share of contributions | 5 | 227 |
| Total | <u>\$ 5,220</u> | <u>\$ 1,571</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | 3,649 | |
| Contributions Subsequent to the MD | <u>1,695</u> | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 5,344</u> | |

Of the amount reported as deferred outflows of resources, \$1,695 are related to pension 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, EOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 807 | \$ - |
| Changes of assumptions | 3,042 | - |
| Net difference between projected and actual earnings on pension plan investments | 172 | - |
| Change in proportionate share | 679 | - |
| Difference between contributions and proportionate share of contributions | 13 | 352 |
| Total | <u>\$ 4,713</u> | <u>\$ 352</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | 4,361 | |
| Contributions Subsequent to the MD | <u>1,639</u> | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 6,000</u> | |

Of the amount reported as deferred outflows of resources, \$1,639 are related to pension 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:

| <u>Deferred Outflow/(Inflow) of Resources</u> | |
|---|-----------------|
| Year Ended June 30: | |
| 2019 | \$ 2,174 |
| 2020 | 1,550 |
| 2021 | (249) |
| 2022 | 96 |
| 2023 | 78 |
| | <u>\$ 3,649</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 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 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. |
| | <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 pension liability at June 30, 2019 and 2018, was 7.20 and 7.50, 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 and 7.50 percent as of June 30, 2019 and 2018, respectively, 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:

| | June 30, 2019 | June 30, 2018 |
|--------------------------------------|-----------------|---------------|
| 1% Decrease 6.20%/6.50% | \$29,637 | \$28,441 |
| Current Discount Rate 7.20%/7.50% | 17,734 | 16,689 |
| 1% Increase 8.20%/8.50% | 7,909 | 6,862 |

Depletion Date Projection

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

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

- * Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- * The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- * GASB 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, which might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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 Investments | 0.00 | 12.50 | 12.50 |
| Opportunity Portfolio | 0.00 | 3.00 | 0.00 |
| Total | | | 100 % |

Long-Term Expected Rate of Return

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

The following table shows 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 | 6.60 |
| 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 6.20 percent. The assessment rate for fiscal year 2018 was 6.00 percent through October 31, 2017. The 2018 rate was increased to 6.20 percent effective November 1, 2017. Payroll assessments for the fiscal years ended June 30, 2019 and 2018, were \$999 and \$939, 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. Tier Three 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.

Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer. There is no employee contribution rate for Tier Four.

The employer contribution rates for the ORP are as follows:

| | 2019 | 2018 |
|--------------|--------|--------|
| Tier One/Two | 23.68% | 23.68% |
| Tier Three | 9.29% | 9.29% |
| Tier Four | 8.00% | 8.00% |

SUMMARY OF OTHER PENSION PAYMENTS

EOU's total payroll for the year ended June 30, 2019 was \$24,404, of which \$4,405 was subject to optional retirement plan contributions. Employer contributions for the year totaled \$634, or 14.38 percent of covered payroll. Employee contributions, paid by the university on behalf of the employees, totaled \$281, or 6.37 percent of covered payroll. Employee contributions paid by the employees totaled \$24.

EOU's total payroll for the year ended June 30, 2018 was \$23,305, of which \$4,161 was subject to optional retirement plan contributions. Employer contributions for the year totaled \$636, or 15.28 percent of covered payroll. Employee contributions, paid by the university on behalf of the employees, totaled \$277, or 6.65 percent of covered payroll. Employee contributions paid by the employees totaled \$17.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. PUBLIC EMPLOYEES RETIREMENT PLANS (PERS)

PLAN DESCRIPTIONS

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of eligible PERS members. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA). Only Tier One and Tier Two PERS members are eligible to participate in the RHIA and RHIPA plans. (Refer to Note 14 for details concerning Tier One and Tier Two membership in PERS.)

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

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

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

OPEB PLANS REPORT

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

BASIS OF ACCOUNTING

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

OPEB PLAN (ASSET)/LIABILITY

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

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

CHANGES SUBSEQUENT TO THE MEASUREMENT DATE

The university is not aware of any changes to benefit terms 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 contributes 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 required employer contribution was approximately \$74 and \$70 for the year ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal 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 contributes 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 required employer contribution was approximately \$68 and \$64 for the year ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

NET OPEB ASSET/LIABILITY

a. RHIA

At June 30, 2019, the university reported an asset of \$157 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 \$58 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 EOU 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 EOU's proportionate share of all state agencies internally based on actual contributions by EOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, EOU's proportion was 0.14 percent of the statewide OPEB plan.

For the year ended June 30, 2019 and 2018, EOU recorded total OPEB expense of (\$14) and \$1 due to the change in the net RHIA OPEB asset and changes to deferred outflows and deferred inflows.

b. RHIPA

At June 30, 2019, the university reported a liability of \$168 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. At June 30, 2018, the university reported a liability of \$211 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 EOU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PERS employer state agencies. DAS calculated EOU's proportionate share of all state agencies internally based on actual contributions by EOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, EOU's proportion was 0.48 and 0.45 percent of the statewide OPEB plan.

For the year ended June 30, 2019 and 2018, EOU recorded total OPEB expense of \$23 and \$25 due to the increase in the net RHIPA OPEB liability and changes to deferred outflows and deferred inflows.

DEFERRED ITEMS

a. RHIA

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal years ending June 30, 2019 and 2018, deferred items include:

* Difference between expected and actual experience

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

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

- * Measurement period ended Jun 30, 2018 - 3.3 years
- * Measurement period ended Jun 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.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 9 |
| Changes of assumptions | - | 1 |
| Net difference between projected and actual earnings on pension plan investments | - | 34 |
| Change in proportionate share | 1 | - |
| Difference between contributions and proportionate share of contributions | 2 | - |
| Total | <u>\$ 3</u> | <u>\$ 44</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | (41) | |
| Contributions Subsequent to the MD | 74 | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 33</u> | |

Of the amount reported as deferred outflows of resources, \$74 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, 2019.

At June 30, 2018, EOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 28 |
| Change in proportionate share | 1 | - |
| Total | <u>\$ 1</u> | <u>\$ 28</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | (27) | |
| Contributions Subsequent to the MD | 70 | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 43</u> | |

Of the amount reported as deferred outflows of resources, \$70 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, 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:

Year Ended June 30:

| | |
|------|----------------|
| 2020 | (13) |
| 2021 | (13) |
| 2022 | (11) |
| 2023 | (4) |
| | <u>\$ (41)</u> |

b. RHIPA

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the fiscal years ending June 30, 2019 and 2018, deferred items include:

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

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. Employ-

ers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

- * Measurement period ended Jun 30, 2018 - 6.9 years
- * Measurement period ended Jun 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.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference Between Expected and Actual Experience | \$ - | \$ 12 |
| Change in Assumptions | 1 | - |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | - | 3 |
| Change in Proportion | 11 | - |
| Difference between contributions and proportionate share of contributions | 2 | - |
| Total | <u>\$ 14</u> | <u>\$ 15</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | (1) | |
| Contributions Subsequent to the MD | 68 | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 67</u> | |

Of the amount reported as deferred outflows of resources, \$68 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, EOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | \$ - | \$ 2 |
| Change in Proportion | 2 | - |
| Difference between contributions and proportionate share of contributions | 1 | - |
| Total | <u>\$ 3</u> | <u>\$ 2</u> |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD) | 1 | |
| Contributions Subsequent to the MD | 64 | |
| Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD | <u>\$ 65</u> | |

Of the amount reported as deferred outflows of resources, \$64 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, 2019.

As of June 30, 2018, 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:

| | |
|---------------------|---------------|
| Year Ended June 30: | |
| 2019 | (1) |
| | <u>\$ (1)</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 OPEB liability:

| Actuarial Methods and Assumptions: | | | | |
|------------------------------------|---|--------------------------------|---|---|
| | RHIA | | RHIPA | |
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Valuation Date | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Experience Study Report | 2016, published July 2017 | 2014, published September 2015 | 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 | 7.20 percent | 7.50 percent |
| Discount Rate | 7.20 percent | 7.50 percent | 7.20 percent | 7.50 percent |
| Projected Salary Increases | 3.50 percent | | | |
| Retiree Healthcare Participation | Healthy retirees: 38%; Disabled retirees: 20% | | 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 | Not applicable | | 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 | Healthy retirees and beneficiaries: | | | |
| | RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. | | RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation | RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. |
| | Active members: | | | |
| | Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. | | 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. |
| | Disabled retirees: | | | |
| | Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table. | | 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) to changes in the discount rate. The following presents the university's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 and 7.50 percent as of June 30, 2019 and 2018, respectively, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

| Discount Rate | RHIA | | RHIPA | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| 1% Decrease 6.2%/6.5% | (\$91) | \$8 | \$189 | \$233 |
| Current Discount Rate 7.2%/7.5% | (157) | (58) | 168 | 211 |
| 1% Increase 8.2%/8.5% | (213) | (115) | 145 | 191 |

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:

| Healthcare Cost Rate | RHIA | | RHIPA | |
|----------------------|---------------|---------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| 1% Decrease | (\$157) | (\$58) | \$136 | \$182 |
| Current Trend Rate | (157) | (58) | 168 | 211 |
| 1% Increase | (157) | (58) | 200 | 244 |

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 Investments | 0.00 | 12.50 | 12.50 |
| Opportunity Portfolio | 0.00 | 3.00 | 0.00 |
| Total | | | 100 % |

LONG-TERM EXPECTED RATE OF RETURN

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

The following table shows 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 | 6.60 |
| Commodities | 1.88 | 3.84 |
| | | |
| Assumed Inflation - Mean | | 2.50% |

DEPLETION DATE PROJECTION

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be

used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 75 (paragraph 39) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

B. PUBLIC EMPLOYEES' BENEFIT BOARD (PEBB)

PLAN DESCRIPTION

EOU participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes (ORS) gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a multi-employer cost-sharing plan for financial reporting purposes and is not administered through a trust. 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 Postemployment Benefits Other Than Pensions*.

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

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

TOTAL OPEB LIABILITY

At June 30, 2019, the university reported a liability of \$1,122 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, 2018. At June 30, 2018, the university reported a liability of \$1,068 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 EOU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PEBB employer state agencies. DAS calculated EOU's proportionate share of all participating employers internally based on actual contributions by EOU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, EOU's proportion was 0.70 and 0.72 percent, respectively of participating employers.

For the years ended June 30, 2019 and 2018, EOU recorded total OPEB expense of \$103 each year due to the changes to the total OPEB liability, deferred inflows, and amortization of deferred amounts.

DEFERRED ITEMS

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the fiscal years ended June 30, 2019 and 2018, deferred items include:

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

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of each measurement periods ended Jun 30, 2018 and 2017 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, EOU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Change in Assumptions | \$ 30 | \$ 19 |
| Change in Proportion | 6 | 31 |
| Total | <u>\$ 36</u> | <u>\$ 50</u> |
| Net Deferred Outflow/(Inflow) of Resources | <u>\$ (14)</u> | |

At June 30, 2018, EOU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Change in Assumptions | \$ - | \$ 23 |
| Change in Proportion | 7 | - |
| Total | <u>\$ 7</u> | <u>\$ 23</u> |
| Net Deferred Outflow/(Inflow) of Resources | <u>\$ (16)</u> | |

As of June 30, 2019, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | | |
|---------------------|-----------|-------------|
| Year Ended June 30: | | |
| 2020 | \$ | (2) |
| 2021 | | (2) |
| 2022 | | (2) |
| 2023 | | (2) |
| 2024 | | (3) |
| Thereafter | | (3) |
| | <u>\$</u> | <u>(14)</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: | | |
|---|---|---------------|
| Valuation Date | July 1, 2017 | July 1, 2017 |
| Measurement Date | June 30, 2019 | June 30, 2018 |
| Actuarial Assumptions: | | |
| 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 | |
| | <i>Dental cost changes:</i> | |
| Election and lapse rates | decrease 1.10% in the first year; increase 3.10% in the second year; increase 4.00% per year thereafter | |
| | 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 dates 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 to changes in the discount rate. The following presents the university's proportionate share of the total OPEB liability calculated using the discount rate of 3.50 and 3.87 percent as of June 30, 2019 and 2018, respectively, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

| Discount Rate | June 30, 2019 | June 30, 2018 |
|--------------------------------------|---------------|---------------|
| 1% Decrease 2.50%/2.87% | \$1,221 | \$1,162 |
| Current Discount Rate 3.50%/3.87% | 1,122 | 1,068 |
| 1% Increase 4.50%/4.87% | 1,031 | 982 |

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

| Healthcare Cost Rate | June 30, 2019 | June 30, 2018 |
|----------------------|---------------|---------------|
| 1% Decrease | \$978 | \$941 |
| Current Trend Rate | 1,122 | 1,068 |
| 1% Increase | 1,295 | 1,220 |

16. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which EOU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2019 and 2018, was \$2,993 and \$3,028, respectively.

17. RISK FINANCING

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

- * real property loss for university owned building, equipment, automobiles and other types of property;
- * tort liability claims brought against the university, its officers, employees or agents;

- * workers' compensation and employers liability;
- * crime, fiduciary; and
- * specialty lines of business including: medical practicums, international travel, fine art, camps, clinics and other items.

EOU retains risk for losses under \$5, which is the deductible per claim for insurance purchased through the trust.

EOU is charged an assessment to cover the trust's cost of servicing claims and payments based on the risk allocation model and actuarial estimates of the amounts needed to pay prior and current-year claims. The amount of settlements has not exceeded insurance coverage in the last three years.

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

18. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2019, EOU had \$459 in outstanding commitments on partially completed and planned but not initiated construction projects.

EOU 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.

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657, or other appropriate governmental entity depending on employee location. EOU reimburses the appropriate governmental entity 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 EOU cannot be reasonably determined at June 30, 2019.

19. SUBSEQUENT EVENTS

EOU 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.

20. UNIVERSITY FOUNDATION

Under policies approved by the board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of EOU. The EOU Foundation is a legally separate, tax-exempt entity with an independent governing board. Although EOU does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of EOU and is discretely presented in the financial statements. The financial activity is reported for the years ended December 31, 2018 and 2017. The foundation is

audited annually and received an unmodified audit opinion. Please see the financial statements for the EOU component unit on pages 19 and 21 of this report.

During the years ended June 30, 2019 and 2018 gifts of \$969 and \$987, respectively, were transferred from the foundation to EOU. The university and the foundation have an agreement for services and use of facilities and university employees that perform foundation functions. The university paid \$218 and \$256 for the years ended June 30, 2019 and 2018, respectively, in compensation and benefits for university employees performing foundation functions.

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

* Eastern Oregon University Foundation, One University Blvd.,
La Grande, OR 97850-2807



REQUIRED SUPPLEMENTARY INFORMATION

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 | \$ 1,695 | \$ 1,639 | \$ 1,111 | \$ 1,069 | \$ 875 | \$ 898 | \$ 855 | \$ 875 |
| Contributions in Relation to the Contractually Required Contribution | 1,695 | 1,639 | 1,111 | 1,069 | 875 | 898 | 855 | 875 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| University's Covered Payroll | \$ 16,381 | \$ 15,477 | \$ 14,441 | \$ 13,330 | \$ 12,474 | \$ 12,332 | \$ 12,005 | \$ 12,179 |
| Contributions as a Percentage of Covered Payroll | 10.3% | 10.6% | 7.7% | 8.0% | 7.0% | 7.3% | 7.1% | 7.2% |

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

| As of the Measurement Date June 30, | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|------------|-----------|------------|
| University's Proportion of the Net Pension Asset/(Liability) | 0.12% | 0.12% | 0.12% | 0.11% | 0.11% | 0.00% |
| University's Proportionate Share of the Net Pension Asset/(Liability) | \$ (17,734) | \$ (16,689) | \$ (18,079) | \$ (6,294) | \$ 2,475 | \$ (5,571) |
| University's Covered Payroll | \$ 15,477 | \$ 14,441 | \$ 13,330 | \$ 12,474 | \$ 12,332 | \$ 12,005 |
| University's Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of its Covered Payroll | 114.58% | 115.57% | 135.63% | 50.46% | 20.07% | -46.41% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/(Liability) | 82.07% | 83.12% | 80.53% | 91.88% | 103.59% | 91.97% |

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

SCHEDULE OF UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

| For Fiscal Years Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Actuarially Determined Contributions ¹ | \$ 74 | \$ 70 | \$ 69 | \$ 64 | \$ 67 | \$ 66 | \$ 64 | \$ 66 | \$ 25 | \$ 24 |
| Contributions in Relation to the Actuarially Determined Contributions | 74 | 70 | 69 | 64 | 67 | 66 | 64 | 66 | 25 | 24 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 16,381 | \$ 15,477 | \$ 14,441 | \$ 13,330 | \$ 12,474 | \$ 12,332 | \$ 11,671 | \$ 11,905 | \$ 10,019 | \$ 9,484 |
| Contributions as a Percentage of Covered Payroll | 0.45% | 0.45% | 0.48% | 0.48% | 0.54% | 0.54% | 0.55% | 0.55% | 0.25% | 0.25% |

¹For Actuarial Assumptions and Methods, see table in Note 15

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

| As of the Measurement Date June 30, | 2018 | 2017 | 2016 |
|--|-----------|-----------|-----------|
| University's Proportion of the Net RHIA OPEB Asset/(Liability) | 0.14% | 0.14% | 0.13% |
| University's Proportionate Share of the Net RHIA OPEB Asset/(Liability) | \$ 157 | \$ 58 | \$ (36) |
| University's Covered Payroll | \$ 15,477 | \$ 14,441 | \$ 13,330 |
| University's Proportionate Share of the Net RHIA OPEB Asset/(Liability) as a Percentage of Covered Payroll | 1.01% | 0.40% | 0.27% |
| Plan Fiduciary Net Position as a Percentage of the Total RHIA OPEB Asset/(Liability) | 123.99% | 108.88% | 94.15% |

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

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 ¹ | \$ 68 | \$ 64 | \$ 55 | \$ 51 | \$ 29 | \$ 29 | \$ 16 | \$ 17 | \$ 5 | \$ 5 |
| Contributions in Relation to the Actuarially Determined Contributions | 68 | 64 | 55 | 51 | 29 | 29 | 16 | 17 | 5 | 5 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 16,381 | \$ 15,477 | \$ 14,441 | \$ 13,330 | \$ 12,474 | \$ 12,332 | \$ 11,671 | \$ 11,905 | \$ 10,019 | \$ 9,484 |
| Contributions as a Percentage of Covered Payroll | 0.42% | 0.41% | 0.38% | 0.38% | 0.23% | 0.24% | 0.14% | 0.14% | 0.05% | 0.05% |

¹For Actuarial Assumptions and Methods, see table in Note 15

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 Proportion of the Net RHIPA OPEB Liability | 0.48% | 0.45% | 0.45% |
| University's Proportionate Share of the Net RHIPA OPEB Liability | \$ 168 | \$ 211 | \$ 241 |
| University's Covered Payroll | \$ 15,477 | \$ 14,441 | \$ 13,330 |
| University's Proportionate Share of the Net RHIPA OPEB Liability as a Percentage of Covered Payroll | 1.09% | 1.46% | 1.81% |
| Plan Fiduciary Net Position as a Percentage of the Total RHIPA OPEB Liability | 49.79% | 34.25% | 21.87% |

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 | 0.70% | 0.72% | 0.71% |
| University's Proportionate Share of the Total OPEB Liability | \$ 1,122 | \$ 1,068 | \$ 1,033 |
| University's Covered Payroll | \$ 20,366 | \$ 19,359 | \$ 18,454 |
| University's Proportionate Share of the Total OPEB Liability as a Percentage of University Covered Payroll | 5.51% | 5.52% | 5.60% |
| Total OPEB Liability as a % of Total Covered Payroll | 4.31% | 4.42% | 4.45% |

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

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

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