2022 ANNUAL

FINANCIAL REPORT

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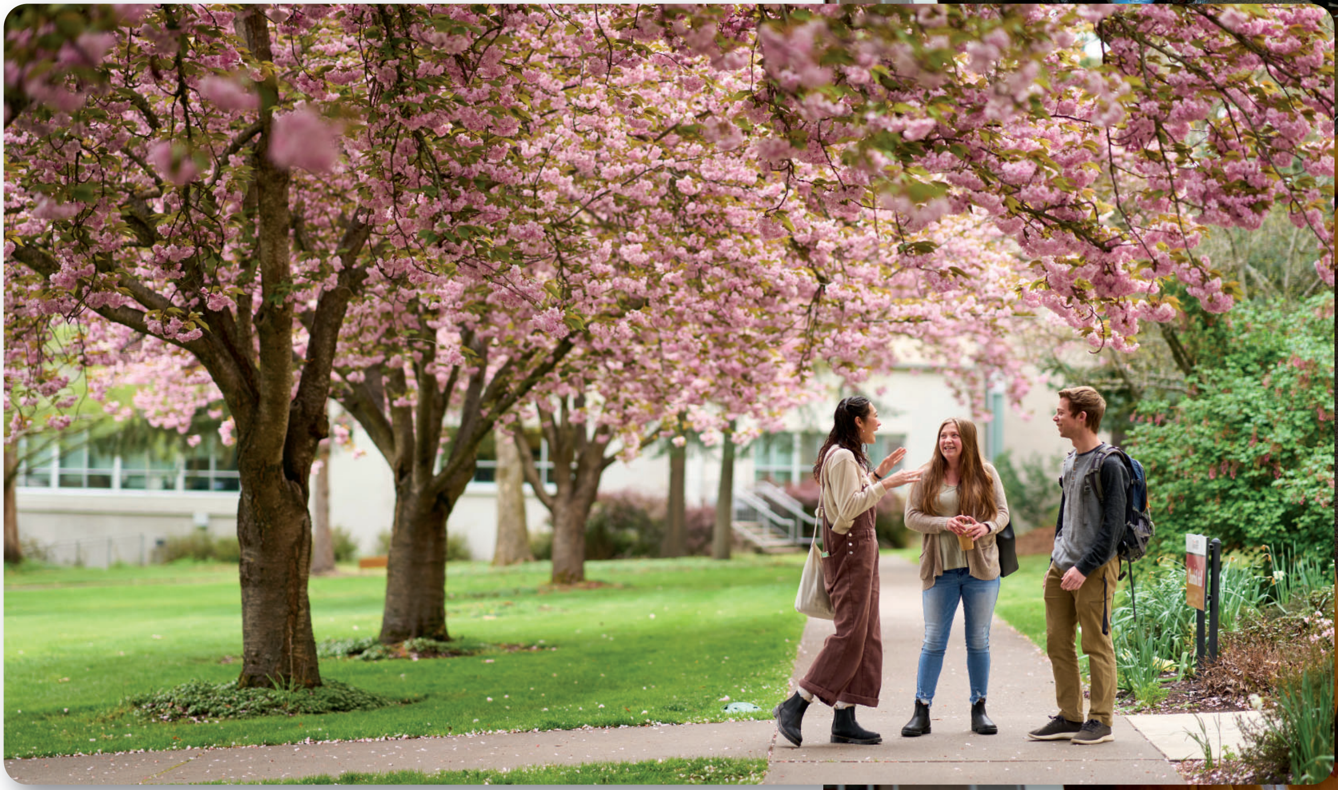

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I arrived in Ashland to become president of Southern Oregon University at the midpoint of the 2021-22 fiscal year, and have used much of the time since then to assess the university's challenges and identify opportunities for more stable operations and broadened access for our students.

The COVID-19 pandemic's toll on families' financial situations has certainly affected SOU's enrollment, as have two years of limited on-campus classes and activities, and some students' changes in attitude toward post-secondary education. A double-digit percentage decline in enrollment over the past two-plus years has touched both undergraduate and graduate programs at SOU. Retention of our existing students has suffered, a once-reliable pipeline of students from California has been squeezed by new options for those students in their home state and a long-anticipated national decline in the number of traditional college-age students has accelerated.

The most recent academic year was a mixed bag for enrollment at SOU, but certainly warrants concern for the university's bottom line. Our spring term enrollment, as measured by overall headcount, increased by 3.3 percent this year, compared to spring term 2021. But our full-time equivalent enrollment, which provides a better reflection of courses taken and tuition paid, declined by 2.1 percent in a year-over-year, spring term comparison. Similarly, our total headcount of students served during fall, winter and spring terms of the 2021-22 academic year increased by 2.7 percent when compared to the same three terms in 2020-21, while combined full-time equivalent enrollment for those three terms declined by 3.4 percent.

Overall student credit hours (SCH) – the total number of course credits that our students took in 2021-22 – decreased by 3.7 percent, and net tuition and fees received dropped by 7.4 percent.

That disproportionate net decline in tuition and fees – SOU's largest revenue source – was driven principally by losses in high-dollar-value SCH categories and gains in low-dollar-value tuition areas such as the Advanced Southern Credit, a dual-credit program for high school students. Another significant factor in the decline of net tuition and fees was a 20.6 percent growth in institutional remissions – university-paid financial aid – that helped students renew their academic pursuits as they began returning from the pandemic. Institutional remissions amounted to about 10.3 percent of total revenue from tuition and fees.

SOU leveraged several state and federal relief opportunities during the pandemic, and partial furloughs were in place for most employees through a large part of the 2020-21 fiscal year. One result was a 14.55 percent increase in the university's Budgeted Operations fund balance, to $8.89 million. However, a growth in expenses during 2021-22 – including the lifting of cost-saving furloughs and a 16.9 percent increase of spending on supplies and services – led to a decrease in the ending fund balance of $1.1 million, or 12.4 percent.

But there remain reasons for hope and optimism. Freshman applications, admissions and confirmed attendees at SOU are all substantially higher this summer than at the same time a year ago. Freshman applications for the 2022-23 academic year are currently ahead of last year by 206 students, while admissions are up by 164 and confirmations by 38. Those gains portend good things for our future, but are not enough to offset successive years of enrollment declines due to the pandemic and local fires.

Overall SCH in academic year 2022-23 is expected to decline another 5 percent from 2021-22, and longer-range predictions suggest that enrollment revenue bears continued careful monitoring and response.

But our situation also presents an opportunity for campus stakeholders to closely examine other revenue opportunities, especially those that enhance and sustain student success.

SOU has established intergovernmental agreements with four southern Oregon school districts in recent months, to guarantee a path to admission for those districts' students. The districts – in Medford, Ashland, Grants Pass and Central Point – are sharing their students' basic directory information with SOU, which will promote college attendance and provide timely enrollment guidance. The initiative – which SOU is working to extend to school districts throughout the region – is expected to improve college access, especially among traditionally underserved students.

New academic opportunities that are expected to draw immediate student interest and meet the region's current and future needs include bachelor's degree programs in Sustainable Tourism Management, and Music Industry and Production Studies, and a Cybersecurity Certificate program. Other innovative new academic offerings include the Digital Cinema program's 12-credit, immersive "Crew Experience" course for student filmmakers; a multicultural business development program offered in cooperation with SOU's Mexican sister institution, the Universidad de Guanajuato; and a Pacific Islander Studies course.

SOU is preparing for this summer's launch of the first phases in its transformational shift to the cutting edge platform Workday as the university's core information system. The change will bring students streamlined registration options, an adaptable academic planner, and an integrated and effective mobile app, while employees will juggle fewer systems and see modernized and automated workflows, improved analytics and better security. It will also save the university over $700,000 in recurring costs each year. SOU will position itself as a model – and potentially as a compensated mentor – for other universities that shift to the Workday platform.

We also expect to hear soon about our applications for state and federal funding for the next steps in our plans to capitalize on sustainable power production and make SOU the first energy-independent university in the nation. Achieving that goal will save another $700,000 to $800,000 per year in electricity costs.

Much of SOU's operational decision-making over the past two and a half years has been in response to the pandemic's ebbs and flows. Our actions – including the near-instant shift of more than 900 courses to remote or hybrid formats – have protected the health and safety of our students, employees and community members. Our course designers, technical experts, faculty and staff members have worked creatively and often selflessly to maintain the best possible academic atmosphere for our students.

All who work at SOU – classified employees, unclassified administrators and faculty members – made economic sacrifices to help the university avoid layoffs, with many working reduced schedules for nearly a year and a half. Many positions have been left open.

The university this fall will enter a phase of self-assessment and limited reduction in some areas as we seek to reconfigure the institution to meet the changing needs of our students and the region, and as we prepare to grow into a university that will provide academic access, opportunity and hope for would-be students throughout Oregon, the West Coast and beyond.

Very Respectfully,

Richard J. Bailey, Jr., Ph.D.

President, Southern Oregon University

Capital Projects Update

Britt Hall - $10M project

The Britt renovation project included seismic upgrades; mechanical, electrical, and plumbing systems replacement; ADA upgrades; life-safety systems replacement and interior improvements. Phases 1 & 2 ($8M) included all the structural, ADA and life-safety upgrades plus tenant improvements for 12,000 square feet of interior space. Phase 1 started in 2020 and Phase 2 was completed in Sept 2021. Phase 3 ($2M) includes tenant improvements for an additional 15,000 square feet of interior space. Phase 3 design started in Feb 2022 and construction is scheduled to be complete in August 2022.

Solar PV System and the Campus Farm - $55K project

SOU contracted with True South Solar in June 2021 to design and construct a 15.84 kW grid-tied photovoltaic system on an existing operations building at the SOU Campus Farm. The project was completed in April 2022 and this facility became SOU's third "net zero" energy building.

Central Hall Renovation - $11M project

The Central Hall renovation will include seismic, mechanical, plumbing, electrical, life-safety, ADA, and building envelope improvements to a 42,000 square foot, 3-story, 1950's building. The State allocated $6M for the project and requests for additional funding were not successful. SOU is pursuing a phased approach to the project. Phase 1 will include the infrastructure work (seismic, mechanical, electrical plumbing, life-safety) and the finishes for one of the three floors. Phase 1 Construction Documents are approx. 90% complete. Abatement and demolition work is currently scheduled to start in Sept 2022, with Phase 1 completion planned for Sept 2023.

Cascade Hall Demolition- $3.5M project

The State awarded $3.5M for the demolition of Cascade Hall in March 2022. We are waiting for the funds to be dispersed to SOU. SOU retained PBS Environmental to survey the Cascade complex and test for hazardous materials. Survey and testing work is expected to complete by July 2022. Our current estimate is for demolition to start in 2024.

Southern Oregon University

Philanthropic contributions in FY 2021-22 totaled $7.67 million and included the single largest gift in the University's history. Gifts to the University support an array of academic programs, student scholarships, faculty research and teaching, intercollegiate athletics, and cocurricular activities.

Highlights of the year in philanthropy include:

- SOU's historic year in philanthropy sets the stage for continued growth in the coming years. Giving to the University has increased more than 400% over the last ten years.
- Bob Riehm, former wrestling coach, gifted the men's wrestling program a $3 million donation through his estate. Riehm, who died in 2020, coached the men's program for 25 years beginning in 1969. Under his leadership, SOU brought home three National Championships. One third of Riehm's gift will fund the men's wrestling head coach position and the other two-thirds will fund scholarships for the team's wrestlers.
- Donors contributed more than $4.5 million to support students through gifts to scholarship funds. Supporting students continues to be a high priority of SOU donors.
- Funds invested by the SOU Foundation continue to grow and provide needed resources for the university. The market value of the endowment and other funds invested by the foundation totaled 37.4 million at the end of June 2022. The foundation's endowment has grown more than 30% since over the past five years.
- The SOU Foundation distributed more than $1.5 million in scholarship support to students. Donors continue to see scholarships as a critical way to help students succeed and have prioritized gifts to support them.
- All active members of the university's three volunteer leadership boards made a philanthropic contribution, demonstrating the commitment that each member has to the future of the university. Members on the SOU Governing Board of Trustees, SOU Foundation Board of Trustees, and SOU Alumni Association Board of Directors represent 75 individuals who dedicate their time and personal resources to SOU.

- SOU recently established intergovernmental agreements with four southern Oregon school districts – in Medford, Ashland, Grants Pass and Central Point – to guarantee a path to admission for those districts' students. The districts are sharing their students' basic directory information with SOU, which will promote college attendance and provide timely enrollment guidance. The initiative is expected to improve college access, especially among traditionally underserved students.
- The university hosted its fifth annual Creativity Conference at SOU this summer, drawing many of the world's top scholars, researchers and practitioners in the field of creativity. The conference provides cutting-edge information and resources for those who are interested in learning more about the science and application of creativity research.
- SOU's new Sustainable Tourism Management bachelor's degree program, announced in June, will provide students the tools they need to recognize and address the role of sustainability in the tourism industry, and to become leaders of tourism-related organizations – from regional to global – that commit to sustainable business practices. The program, offered through the SOU School of Business, has a core curriculum of classes from the university's Business, Social Science and Environmental Science and Policy departments.
- The SOU Laboratory of Anthropology (SOULA) was recognized in June 2022 with a national Award of Excellence from the American Association for State and Local History (AASLH) for its Oregon Chinese Diaspora Project. The recognition is part of the AASLH Leadership in History Awards, the most prestigious recognition for achievement in the preservation of state and local history.
- The Oregon Center for the Arts at SOU launched a bachelor's degree program in Music Industry & Production Studies (MIPS) in June 2021. The new degree program is features course sequences in audio & music production, music theory, aural skills, piano proficiency, music industry, business and economics. Certificates in Music Industry and Production, and Sound Design – and a micro-credential in Audio and Music Production – are also offered for those who do not wish to pursue the full degree.
- Two SOU students were awarded the U.S. Department of State's Benjamin A. Gilman International Scholarship in spring 2022 to support upcoming study abroad programs. The prestigious scholarships, which support U.S. undergraduates of limited financial means, were awarded to Zion Blackburne of Rogue River, a digital cinema major who will study at Dankook University in South Korea, and Tiana Gilliland of Grants Pass, a business and healthcare administration double-major who will study at the University of Nottingham in the United Kingdom.
- Three new and seven continuing members were appointed by Gov. Kate Brown and confirmed in June by the Oregon Senate to serve on the SOU Board of Trustees. The new trustees are Brent Barry, superintendent of the Phoenix-Talent School District; SOU faculty member Andrew Gay; and SOU alumna Christina Medina, regional business manager for Pacific Power, a division of PacifiCorp.
- SOU's Digital Cinema program launched its innovative and immersive "Crew Experience" course, a 12-credit opportunity for student filmmakers to spend an entire term learning on location, collaborating under the supervision of faculty and experienced industry mentors on the set of a significant film project designed to emulate the professional working environment.
- The SOU campus learned in May that the university jumped from a "Silver" to a "Gold" rating for campus-wide sustainability achievements, as measured by an evaluation system developed by the Association for the Advancement of Sustainability in Higher Education (AASHE) and used to grade colleges and universities worldwide.
- SOU students and employees completed an online "campus climate" survey in May, to measure their experiences, beliefs and opinions about diversity, equity and inclusion at the university. The survey will serve as a baseline to gauge future progress and to make comparisons of SOU's climate with that of other institutions.
- SOU hosted nine business students in April from Universidad de Guanajuato, and sent nine SOU students to the Mexican university in May as the two longtime sister campuses launched a new collaboration on multicultural business development as part of a far-reaching program under the U.S. Department of State.
- SOU President Rick Bailey launched his monthly "Raider Up with President Rick" podcast in April, to connect with students and maintain a productive conversation about their academic needs and experiences. The podcast is hosted by a student employee and driven by questions submitted by students on social media.
- The Oregon TRIO Association (OTA) selected TRIO-SSS student Whillamina Wise of SOU in March as its 2022 OTA Fellow. She traveled to Washington, D.C., to participate in the Council for Opportunity in Education Policy Seminar as Oregon's representative.

- SOU was selected in February to be part of the 2022-23 cohort of First-gen Forward, a nationwide initiative to improve academic outcomes for first-generation college students. SOU is one of about 300 higher education institutions to have received the designation, becoming eligible for professional development opportunities, community-building experiences and access to the research and resources of sponsoring organizations.
- SOU launched a course during spring term on Pacific Islander Studies, as part of the university's new Ethnic and Racial Studies Program. The course – ERS 399, Introduction to Pacific Islander Studies – offers students the opportunity to learn about, and from, the Oceania and the Moana peoples.
- SOU announced in February that it will SOU begin the first phases this year in a transformational shift to the cutting edge platform Workday as the university's core information system. The change will bring students streamlined registration options, an adaptable academic planner, and an integrated and effective mobile app, while employees will juggle fewer systems and see modernized and automated workflows, improved analytics and better security. It will also save the university over $700,000 in recurring costs each year. SOU will position itself as a model – and potentially as a compensated mentor – for other universities that shift to the Workday platform.
- The university announced in February that the estate of legendary wrestling coach Bob Riehm had left SOU a $3 million gift – the institution's largest-ever philanthropic donation. A third of the bequest will endow the men's wrestling head coach position at SOU, which will be named for Riehm, and two-thirds will fund scholarships for the team's wrestlers.

- President Rick Bailey initiated a monthly video message to the SOU campus and local communities in February, offering thoughts in the inaugural episode on “five quick things” from his first month and a half as president – building relationships, using science to address the pandemic, the university as a “marketplace of ideas,” partnerships and collaboration, and observances on Black History Month.
- SOU, tribal partners and others received a $30,154 grant from the Oregon Cultural Trust in February 2022 to continue the work of the Indigenous Gardens Network – a hub for conversation and coordination around traditional food gathering areas throughout southwestern Oregon.
- The Social Justice and Equity Center (SJEC) Veterans & Military Families at was awarded a $58,163 grant from the Oregon Department of Veterans’ Affairs (ODVA) in December to help improve outcomes for student veterans at the university. It was the second consecutive year that SOU secured the ODVA grant.
- SOU and the Klamath Tribes agreed in November 2021 to formalize their joint commitment to educational opportunities and access for members of the Klamath and other Native American tribes, and to offer programs that enable all students to appreciate the cultural and economic contributions of Oregon’s nine federally recognized tribes.
- Richard J. Bailey, Jr., Ph.D., was appointed in November 2021 as SOU’s new president following an extensive national search and a unanimous vote by the SOU Board of Trustees. Bailey had served as president of Northern New Mexico College (NNMC) in Espanola since October 2016, following a 24-year career in the U.S. Air Force. He began work as SOU’s president in January 2022.
- The SOU Foundation was among seven higher education organizations in the West to receive grant funding in fall 2021 from the Portland-based Cambia Health Foundation to increase diversity among students in health care programs and to expand outreach to potential health care students in underrepresented communities.
- Entrepreneur and former Zappos executive Fred Mossler, chemist and Duchene muscular dystrophy researcher Susan Ramos-Hunter, conservationist Greg Wolley – an advocate for youth and people of color – and award-winning band director Scott Kneff were honored in October 2021 as SOU’s annual Distinguished Alumni Award winners.
- Robert Arellano, a professor in the Oregon Center for the Arts at SOU, was elected in October 2021 to serve as board chair for Oregon Humanities, the state affiliate of the National Endowment for the Humanities.
- Toya Cooper, an attorney who has spent almost 20 years addressing diversity in higher education, accepted an offer in October 2021 to become SOU’s first vice president for equity, diversity and inclusion. She began work with the university in November.
- SOU adopted an acknowledgement in September 2021 that the SOU campus lies on the ancestral homelands of the area’s Native American tribes, who were removed through a series of actions by Euro-American settlers and the U.S. government, beginning in the mid-1800s. The formal “land acknowledgement” was developed by staff representatives of the Grand Ronde and Siletz tribes, and Brook Colley, chair of SOU’s Native American Studies Program.
- Two new and innovative solar projects took shape in September 2021 at The Farm at SOU. The first, mounted on The Farm’s storage building, is student-funded and the second, installed atop 20-foot poles, was financed by a private investor. SOU has a total of eight other solar arrays on seven buildings on the Ashland campus and one at the Higher Education Center in Medford. Output from SOU’s solar facilities is typically fed back into the electrical grid and credited to SOU’s accounts, reducing the university’s utility bills.
- SOU was recognized in September 2021 as a Tree Campus USA for the seventh consecutive year. Tree Campus USA, an Arbor Day Foundation program started in 2008, honors higher education institutions and their leaders for promoting healthy trees and engaging students and staff in the spirit of conservation.
- The SOU School of Business launched a new, accelerated option for its MBA program in fall 2021 that enables eligible students to earn both bachelor’s and master’s degrees in business administration in as little as four years, and save time and money on their educational pathway.
- SOU was recognized for the ninth year in a row in August 2021 as one of the nation’s top 30, “Best of the Best” LGBTQ-friendly colleges and universities by Campus Pride, a nonprofit that supports and improves campus life for LGBTQ people on campuses nationwide.
- SOU research archaeologist Chelsea Rose – who was on the cast of a 2013-14 archaeology series on Oregon Public Broadcasting and featured in a 2017 book intended to pique girls’ interest in archaeology – returned to TV screens in summer 2021 as host of a show about Wild West history for the National Geographic Channel.
- SOU announced in July 2021 that it would address the issue of cyber criminals and a nationwide demand for workers trained to protect their organizations by offering a new certificate program in cybersecurity. The program allows both existing SOU students and mid-career adult learners to become certified with job-ready cybersecurity skills after completing 36 college credits – nine courses.

INDEPENDENT AUDITORS' REPORT

Members of the Board
Southern Oregon University
Ashland, Oregon

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Southern Oregon University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Southern Oregon University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Southern Oregon University, as of June 30, 2022 and 2021, 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.

We did not audit the financial statements of the discretely presented component unit, Southern Oregon University Foundation, which statements represent 100% of the assets, net position, and revenues of the discretely presented component unit in 2022 and 2021. In addition, we did not audit 98%, 91%, and 99%, and 95%, 82% and 99% for the years ended June 30, 2022 and 2021, respectively, of the assets, fiduciary net position, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southern Oregon University Foundation and the aggregate remaining fund, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Oregon University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Southern Oregon University Foundation and the aggregate remaining fund were not audited in accordance with *Government Auditing Standards*.

Emphasis of a Matters

Change in Accounting Principal

As discussed in Note 1 to the financial statements, effective July 1, 2020, the University adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Southern Oregon University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of university's Public Employees Retirement System (PERS) contributions, schedule of university's proportionate share of the net pension asset/liability, the schedule of university's proportionate share of the total PEBB OPEB liability, the schedule of university PERS RHIA OPEB employer contribution, the schedule of university's proportionate share of the net PERS RHIA OPEB asset/liability, the schedule of university PERS RHIPA OPEB employer contribution, and the schedule of university's proportionate share of the net PERS RHIPA OPEB asset/liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the SOU Board of Trustees & Executive Officers and the Message from the President but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Members of the Board
Southern Oregon University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of Southern 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 Southern 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 Southern Oregon University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 21, 2022

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Southern Oregon University (SOU)/(University) for the years ended June 30, 2022, 2021, and 2020. SOU is comprised of the main campus in Ashland and a second campus in Medford.

UNDERSTANDING FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT

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

	2022	2021	2020	2019	2018
SOU	**3,516**	3,650	4,089	4,296	4,442

FINANCIAL POSITION SUMMARY

The University's financial position increased in 2022 due to increases to Unrestricted Net Position and the Net OPEB Asset. The net position increase was largely affected by aid received through governmental COVID-19 relief awards.

The University's financial position increased in 2021 due to increases to Unrestricted Net Position and net position restricted for gifts, grants, and contracts. The net position increase was largely affected by aid received through governmental COVID-19 relief awards.

STATEMENT OF NET POSITION

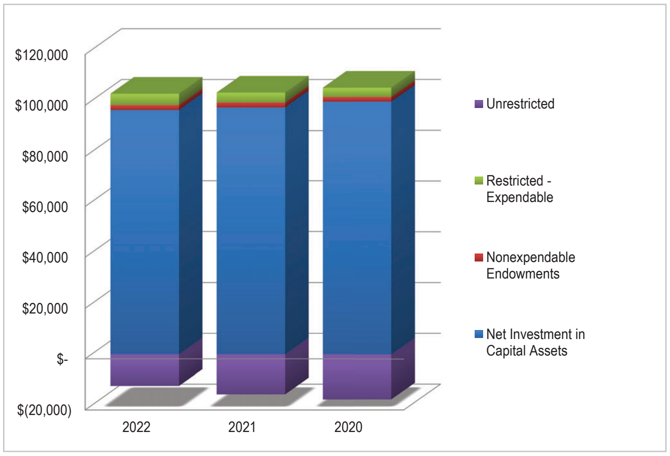
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of SOU's current financial condition. Changes in Net Position that occur over time indicate improvement or deterioration in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

Condensed Statements of Net Position

As of June 30,	**2022**	2021	2020
Current Assets	**$ 20,874**	$ 19,948	$ 14,922
Noncurrent Assets	**21,383**	18,998	16,218
Capital Assets, Net	**137,913**	139,735	137,723
Total Assets	**$ 180,170**	$ 178,681	$ 168,863
Deferred Outflows of Resources	**$ 11,330**	$ 13,463	$ 12,021
Current Liabilities	**$ 13,605**	$ 12,492	$ 12,040
Noncurrent Liabilities	**63,112**	87,405	76,947
Total Liabilities	**$ 76,717**	$ 99,897	$ 88,987
Deferred Inflows of Resources	**$ 24,370**	$ 4,696	$ 4,429
Net Investment in Capital Assets	**$ 96,452**	$ 97,437	$ 99,610
Restricted - Nonexpendable	**1,812**	1,812	1,812
Restricted - Expendable	**4,500**	3,955	3,703
Unrestricted	**(12,351)**	(15,653)	(17,657)
Total Net Position	**$ 90,413**	$ 87,551	$ 87,468

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2022, 2021, and 2020.



Comparison of fiscal year 2022 to fiscal year 2021

Net Investment in Capital Assets decreased $985 or 1%.

- Capital asset increases of $3,682 were mainly offset by a $5,428 increase to accumulated depreciation and asset retirements of $76. In addition, long term debt associated with capital assets decreased $839. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 22.

Restricted Expendable Net Position increased $545 or 14%.

- Net position relating to funds reserved for debt service decreased by $47. The decrease is primarily due to a decrease in funds reserved for debt service payments on student building fee funded projects.
- Net position relating to the funding of capital projects increased $86 due primarily to the start of the new beach volleyball court project.
- Net position related to gifts, grants and contracts decreased $327 due primarily to net depreciation in fair value of investments.
- Net position related to student loans decreased $22 almost entirely due to the final closeout of the federal Perkins Loan Program.
- Net position related to the OPEB asset increased $855. See "Note 15. Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position increased $3,302 or 21% due in large part to an increase in net position due to changes in year-end accruals for the PERS net pension liability and related deferrals of $2,903. In addition, net position associated with operations increased $466. These increases were mainly offset by a decrease in net pension due to changes in year-end accruals for the net OPEB liabilities and deferrals associated with the OPEB liabilites and OPEB asset of $538. See "Note 10. Unrestricted Net Position" for additional information.

Comparison of fiscal year 2021 to fiscal year 2020

Net Investment in Capital Assets decreased $2,173 or 2%.

- Capital asset increases of $7,448 were mainly offset by a $5,414 increase to accumulated depreciation and asset retirements of $22. In addition, long term debt associated with capital assets increased $4,185. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 22.

Restricted Expendable Net Position increased $252 or 7%.

- Net position relating to funds reserved for debt service decreased by $72. The decrease is primarily due to a decrease in funds reserved for debt service payments on student building fee funded projects.
- Net position relating to the funding of capital projects decreased $298 due primarily to the completion of the McNeal Athletic Project.
- Net position related to gifts, grants and contracts increased $1,052 due primarily to net appreciation in fair value of investments.
- Net position related to student loans decreased $103, primarily due to the closeout of the federal Perkins Loan Program.
- Net position related to the OPEB asset decreased $327. See "Note 15. Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position increased $2,004 or 11% due in large part to an increase in net position due to operations of $7,448 as well as an increase in net position due to changes in deferrals related to pensions and OPEB. This was mainly off set by net pension expense of $5,578 during fi scal year 2021. See "Note 10. Unrestricted Net Position" for additional information.

Total Assets and Deferred Outflows of Resources

Total Assets increased $1,489 or 1% and increased $9,818 or 6% during the years ended June 30, 2022 and 2021, respectively. Deferred Outflows of Resources decreased $2,133 or 16% and increased $1,442 or 12% in the fiscal years ended June 30, 2022 and 2021, respectively.

Comparison of fiscal year 2022 to fiscal year 2021

Current Assets increased $926 or 5%.

- Current Cash and Cash Equivalents increased $433 primarily due to increases in cash held for payment of other payroll expenses (OPE) of $754, offset by decreases in cash held for debt service payments of $175 and cash due to university operations of $159.
- Collateral from Securities Lending decreased $17.
- Accounts Receivable increased $666. The largest factors in the change to accounts receivables were increases to receivables due from the College Housing Foundation, a fiduciary unit of the University, of $2,925; receivables for capital construction gifts and contracts of $794; receivables for student tuition and fees of $576; and receivables due to the auxiliary enterprises of $557. These increases were offset primarily by a decrease in receivables for federal grants and contracts of $4,452 largely due to payments received related to COVID-19 relief awards. See "Note 3. Accounts Receivable" for additional information.
- Current Notes Receivable increased $66 due primarily to an increase in current notes for institutional and other student loans of $320, offset by a decrease in notes receivable for construction reimbursements from the State of $256. See "Note 4. Notes Receivable" for additional information.
- Prepaid Expenses decreased $258.

Noncurrent Assets increased $2,385 or 13%.

- Noncurrent Cash increased $332 due to increases in cash held for construction projects of $195 and cash held for debt service. In addition, the amount of noncurrent cash held as investments decreased.
- Investments increased $513. The increase is due to an increase of cash available for investment of $1,964. This increase was offset by decreases to the fair value of investments and an unrealized loss in the OITP long term pool.
- The Net OPEB Asset increased $855. See "Note 15. Other Postemployment Benefits" for additional information.
- Noncurrent Notes Receivable decreased $183 caused mainly by an increase to the allowance for doubtful accounts of $1,039 which was booked to account for the higher balances students are carrying on their accounts post-pandemic. This was offset by an increase in notes receivable for institutional and other student loans of $957. See "Note 4. Notes Receivable" for additional information.
- Noncurrent Lease Receivables increased $868 due primarily to a new lease agreement entered into with Oregon Health & Science University. See "Note 8. Leases" for additional information.

Net Capital Assets decreased $1,822. The decrease is primarily due to net changes to accumulated depreciation of $5,026. Capital asset additions of $3,682 partially offset the decrease. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources decreased $2,133 or 16%. The decrease to deferred outflows is attributable to changes in the Net Pension Liability, which decreased deferred outflows by $1,991, and also to changes in the OPEB Liability, which decreased deferred outflows by $142. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these changes.

Comparison of fiscal year 2021 to fiscal year 2020

Current Assets increased $5,026 or 34%.

- Current Cash and Cash Equivalents decreased $450 primarily due to decreases in cash held for payment of other payroll expenses (OPE) of $218, and a decrease in cash for operations of $149.
- Collateral from Securities Lending decreased $100.
- Accounts Receivable increased $5,981. The change to receivables was predominately due two factors. Receivables for federal grants and contracts increased $3,574 largely due to receivables related to COVID-19 relief awards. In addition, receivables due for student tuition and fees increased $2,365 as a result of SOU's effort to mitigate the economic impact of the pandemic for its students. The University opted to temporarily eliminate the assessment of late fees and interest charges and to refrain from sending new accounts to collection agencies. As a result, students are carrying higher than normal account balances as they attempt to navigate the economy. See "Note 3. Accounts Receivable" for additional information.
- Current Notes Receivable decreased $326 due primarily to a decrease in current notes for institutional and other student loans and a decrease in notes receivable for construction reimbursements from the State. See "Note 4. Notes Receivable" for additional information.
- Current Lease Receivables were recorded for the first time due to the implementation of GASB Statement No. 87, *Leases.* The University recorded $73 for the current portion of the leases which met the qualifications of the Statement. See "Note 8. Leases" for additional information.
- Prepaid Expenses decreased $186 due primarily to unspent bond proceeds for the completed Student Rec Center recorded as prepaid expenses in 2020. The project was completed under budget and, rather than have the University return the proceeds, the State applied them to a bond payment in fiscal year 2021.

Noncurrent Assets increased $2,780 or 17%.

- Noncurrent Cash decreased $1,029 primarily due to an increase in the amount of noncurrent cash held in investments of $1,214. This was a return to more normal levels after the decision to increase liquidity to counteract anticipated losses caused by COVID-19 related changes in fiscal year 2021. This was offset by an increase in noncurrent cash held for construction projects.
- Investments increased $4,069. The increase is primarily due to an increase of cash available for investment of $3,497 as well as an increase in fair value of investments.
- The Net OPEB Asset decreased $327. See "Note 15. Other Postemployment Benefits" for additional information.
- Noncurrent Notes Receivable decreased $533 due to a decrease in noncurrent receivables due for institutional and other student loans as well as a decrease in the noncurrent portion of a receivable from a third party, which committed to pay for a portion of SOU's debt service. See "Note 4. Notes Receivable" for additional information.
- Noncurrent Lease Receivables were recorded for the first time due to the implementation of GASB Statement No. 87, *Leases.* The University recorded $600 for the noncurrent portion of the leases which met the qualifications of the Statement. See "Note 8. Leases" for additional information.

Net Capital Assets increased $2,012. Increases are due primarily to added construction in progress of $3,446 and increases of $2,272 for right of use assets additions associated with lease agreements. Other capital asset additions totaled $1,730. These additions were mainly offset by net changes to accumulated depreciation of $5,218. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources increased $1,442 or 12%. The increase to deferred outflows is attributable to changes in the Net Pension Liability, which increased deferred outflows by $1,253, and also to changes in the OPEB Liability, which increased deferred outflows by $1,189. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these changes.

Total Liabilities and Deferred Inflows of Resources

Total Liabilities decreased $23,180 or 23% during the year ended June 30, 2022. Total Liabilities increased $10,910 or 12% during the year ended June 30, 2021. Deferred Inflows of Resources increased $19,674 or 419% during the fiscal year ended June 30, 2022 and increased $267 or 6% during the fiscal year ended June 30, 2021.

Comparison of fiscal year 2022 to fiscal year 2021

Current Liabilities increased $1,113 or 9%.

- Accounts Payable and Accrued Liabilities increased $1,597 due primarily to increased payables for payroll related expenses, services and supplies, and those related to construction projects. These were mainly offset by decreases in payables for salaries and wage accruals and contract retainage. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased $17.
- The current portion of Long-Term Liabilities decreased by $139 due primarily to a decrease in the current portion of the compensated absences liability as well as the retirement of the installment purchase debt. See "Debt Administration" in this MD&A and "Note 9. Long Term Liabilities" for more information on these changes.
- Unearned revenue decreased by $366 due primarily to decreases in unearned revenues related to grants and contracts.

Noncurrent Liabilities decreased $24,293 or 28%.

- Net Pension Liability decreased $22,420. For additional detail, see "Note 14. Employee Retirement Plans".
- OPEB Liability decreased $392. For additional information, see "Note 15. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities decreased $1,481 due primarily to payments made on contracts payable to the State and the Oregon Department of Energy loans. In addition, a loan that SOU received from the Small Business Administration was forgiven during the fiscal year. There were also decreases in the long term portions of the PERS pre-SLGRP pooled liability, compensated absences liability, and

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the early retirement liability. Theses reductions were partially offset by the addition of new lease agreements. For additional detail, see "Note 9. Long-Term Liabilities" and "Note 8. Leases".

Deferred Inflows of Resources increased $19,674. The increase to deferred inflows is attributable to changes in the Net Pension Liability, which increased deferred inflows by $17,525, changes due to new leases and the amortization of existing leases of $1,361, and changes in the OPEB Liability of $788. See "Note 8. Leases", "Note 14. Employee Retirement Plans", and "Note 15. Other Post Employment Benefits" for more information on these change.

Comparison of fiscal year 2021 to fiscal year 2020

Current Liabilities increased $452 or 4%.

- Accounts Payable and Accrued Liabilities decreased $854 due to decreased payables across most categories. The largest decreases were in payables for accreted interest, those for payroll related expenses (OPE), and services and supplies. These decreases were offset by an increase in contract retainage payables. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased $100.
- The current portion of Long-Term Liabilities increased by $867 due primarily to an increase in the current portion of the compensated absences liability as well as the addition of leases added to liabilities in accordance with GASB Statement No. 87, *Leases.* These were mainly offset by a decrease in the current portion of contracts payable to the State. See "Debt Administration" in this MD&A, "Note 8. Leases", and "Note 9. Long Term Liabilities" for more information on these changes.
- Unearned revenue increased by $547 due primarily to increases in unearned revenues related to financial aid as well as grants and contracts. These were offset predominately by a decrease in unearned revenue related to tuition and fees.

Noncurrent Liabilities increased $10,458 or 14%.

- Net Pension Liability increased $7,227. For additional detail, see "Note 14. Employee Retirement Plans".
- OPEB Liability decreased $148. For additional information, see "Note 15. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities increased $3,379 due primarily to changes caused by the refunding of contracts payable to the State as well as the addition of leases added to liabilities in accordance with GASB Statement No. 87, *Leases.* For additional detail, see "Note 8. Leases" and "Note 9. Long-Term Liabilities".

Deferred Inflows of Resources increased $267. The increase to deferred inflows is attributable to changes due to new leases and the amortization of existing leases of $653 and changes in the OPEB Liability of $8. These increases were offset by changes in the Net Pension Liability, which decreased deferred inflows by $394. See "Note 8. Leases", "Note 14. Employee Retirement Plans", and "Note 15. Other Post Employment Benefits" for more information on these change.

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

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

The following summarizes the revenue and expense activity of SOU:

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

For the Year Ended June 30,	2022	2021	2020
Operating Revenues	$ 44,448	$ 44,169	$ 50,933
Operating Expenses	95,003	93,666	99,895
Operating Loss	(50,555)	(49,497)	(48,962)
Nonoperating Revenues, Net of Expenses	50,776	40,925	38,628
Other Revenues	2,641	8,655	4,799
Increase (Decrease) in Net Position	2,862	83	(5,535)
Net Position, Beginning of Year	87,551	87,468	93,003
Net Position, End of Year	$ 90,413	$ 87,551	$ 87,468

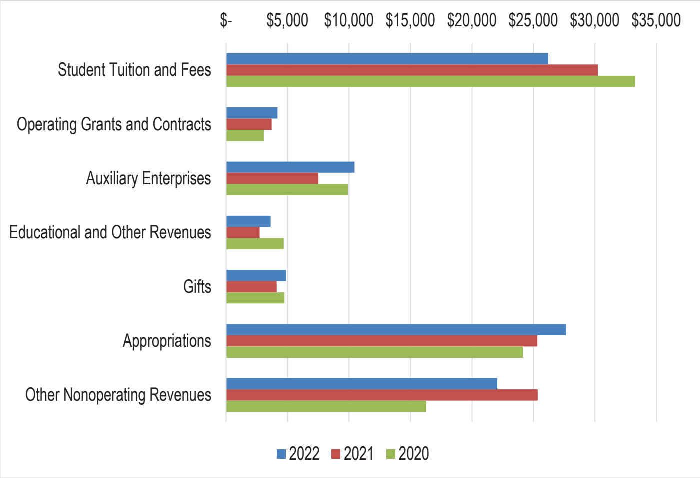
Revenues

Revenues increased $111 or less than 1%.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2022	2021	2020
Student Tuition and Fees	$ 26,205	$ 30,231	$ 33,263
Grants and Contracts	4,180	3,705	3,069
Auxiliary Enterprises	10,440	7,509	9,908
Educational and Other	3,623	2,724	4,693
Total Operating Revenues	44,448	44,169	50,933
Appropriations	27,649	25,310	24,141
Financial Aid Grants	13,933	10,304	9,686
Gifts	4,874	4,111	4,747
Investment Activity	(1,321)	1,314	1,154
Gain on Sale of Assets, Net	960	5	2
Capital Grants and Gifts	2,462	8,476	4,620
COVID-19 Institutional Funding	6,033	5,238	811
Total Nonoperating and Other Revenues	54,590	54,758	45,161
Total Revenues	$ 99,038	$ 98,927	$ 96,094

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased 1% from $44,169 in 2021 to $44,448 in 2022 and decreased by $6,674 or 13% in 2021 as compared to 2020.

Comparison of fiscal year 2022 to fiscal year 2021

Student Tuition and Fees decreased $4,026 or 13%.

- The decrease in student tuition of $2,195 was predominately caused by decreasing enrollments.
- Student fee revenues increased $267 as SOU restored various student fees which were decreased in the prior fiscal year to assist the students financially following the difficulties of the pandemic.
- Fee remissions and scholarship allowances increased $1,548 which caused a decrease to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $550, causing a decrease to revenue.

Federal, State and Nongovernmental Grants and Contracts increased $475 or 13%.

- Federal grant and contract revenues increased $64.
- State and local grant activity decreased $114, mostly due to decreases in grant revenues from the Oregon Department of Education, both direct grants and contracts and subdirect awards.
- Nongovernmental grant activity increased $525 primarily due to increases in grants and contracts from foundations, associations, and societies as well as those from commercial businesses.

Auxiliary Enterprise revenues increased $2,931 or 39% due mainly to the following:

- Housing and Dining revenues increased $2,802. The increase was primarily due to increased revenue from leases, housing, and conference income as more students were returning to campus and campus activities began to return to normal levels.
- Athletics revenues increased $127 mainly due to the return of athletic and other events and also increased institutional incidental fees.
- Health Center revenue decreased $60 due primarily to decreased revenues from student health fees. There were also decreases in reimbursements for services provided to students from a local government contract. Enrollment decreases affected the amount of fees collected.
- Parking increased $222 primarily due to increases in student parking fees, meter parking, and parking fines and fees. This can be attributed of the return to campus of many students and staff.
- Other Auxiliaries decreased $160 primarily due to a decrease in revenues from incidental fees charged to students.

Educational Department Sales and Services revenues increased $499 or 23% due in large part to increases in membership as well as lease income.

Other Operating revenues increased $400 or 69% due predominately to increases in interest income and reimbursements from outside entities. In light of the financial hardships SOU's students faced due to the pandemic, SOU halted interest on student loans and waived late fees during fiscal year 2021, however, the University has returned to its pre-pandemic practices. These increases were primarily offset by increases to insurance recoveries and miscellaneous other revenues.

Comparison of fiscal year 2021 to fiscal year 2020

Student Tuition and Fees decreased $3,032 or 9%.

- The decrease in student tuition of $2,923 was predominately caused by decreasing enrollments.
- In addition, SOU reduced the amount of building fees to their students, while the online course delivery fees increased $439 due to the change in course delivery perpetuated by the pandemic.
- Fee remissions decreased $720, while scholarship allowances increased $801, causing a decrease to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $65, causing a decrease to revenue.

Federal, State and Nongovernmental Grants and Contracts increased $636 or 21%.

- Federal grant and contract revenues increased $65.
- State and local grant activity increased $491, mostly due to increases in grant revenues from the Oregon Department of Education, both direct grants and contracts and subdirect awards.
- Nongovernmental grant activity increased $80.

Auxiliary Enterprise revenues decreased $2,399 or 24% due mainly to the following:

- Housing and Dining revenues decreased $1,289. The decrease was primarily due to decreased revenue from leases, housing, and conference housing fees. These decreases were largely caused by the Coronavirus pandemic. Conversely, there were decreased financial aid amounts used to offset room and board.
- Athletics revenues decreased $124 due to the absence of ticket sales and guarantees. All athletic and theater events were canceled for the year.
- Health Center revenue decreased $299 due to decreased revenues from all sources, especially from student fees. There were also decreases in reimbursements for services provided to students from a local government contract and revenues from other medical services, both of which can be partially explained by decreased student presence on campus due to closures made necessary by the COVID-19 pandemic. In addition, enrollment decreases affected the amount of fees collected.
- Parking decreased $277 primarily due to decreases in student parking fees, meter parking, and parking fines and fees. This can also be attributable to decreased campus traffic due to Coronavirus.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

- Other Auxiliaries decreased $408 primarily due to a decrease in incidental fees charged to students.

Educational Department Sales and Services revenues decreased $1,164 or 35% due to decreases across all categories including income from memberships; leases and rentals; and conferences, camps, and clinics.

Other Operating revenues decreased $805 or 58% due predominately to decreases in interest income and reimbursements from outside entities. In light of the financial hardships SOU's students faced due to the pandemic, SOU halted interest on student loans and waived late fees during fiscal year 2021. These decreases were primarily offset by increases to insurance recoveries.

Nonoperating and Other Revenues

The decrease in Nonoperating Revenues of $168 during 2022 is primarily due to decreased capital grants and gifts the depreciation of the market value of investments.

The increase in Nonoperating Revenues of $9,597 during 2021 is primarily due to additional funding associated with the COVID-19 as well as increases in government appropriations and in capital grants and gifts.

Comparison of fiscal year 2022 to fiscal year 2021

Government Appropriations increased $2,339 or 9% due to increased funding received from the State of Oregon. See "Note 13. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased $763 or 19% mainly due to increased gifts from the SOU Foundation, the State, and other foundations, associations, and societies. These increases were offset largely by decreases in gifts from other institutions of higher education.

Financial Aid Grants increased by $3,629 or 35% due mainly to grants given through federal COVID relief funding.

Investment Activity revenues decreased $2,635 or 201% largely due to net depreciation of investments, losses on the sale of investments, and decreased interest income. See "Note 11. Investment Activity" for additional information relating to these changes.

Gains on Sales of Assets increased $955 due to the sale of three pieces of property.

Capital Grants and Gifts decreased $6,014 or 71% mainly due capital grants from XI-Q State bond funded construction projects, which decreased $6,308 from the prior year. This was offset by increased gifts from commercial businesses for capital related items.

COVID-19 Institutional Funding increased $795, due to additional funding associated with the COVID-19 which was accessed by SOU. See "Note 1.Z. COVID-19 Relief Funding" for additional information regarding this change.

Comparison of fiscal year 2021 to fiscal year 2020

Government Appropriations increased $1,169 or 5% due to increased funding received from the State of Oregon. See "Note 13. Government Appropriations" for additional information relating to changes in appropriations.

Gifts decreased $636 or 13% mainly due to decreased gifts from the SOU Foundation and also from other institutions of higher education and other foundations, associations, and societies. These increases were offset by increases in gifts from the State.

Financial Aid Grants increased by $618 or 6% due mainly to grants given through the federal CARES Act as well as increased grants from the Oregon Opportunity Grant. The main offset to these increases was a decrease in PELL grant funds awarded.

Investment Activity revenues increased $160 or 14% largely due to net appreciation of investments and increased interest income. These were offset by lower investment earnings and lower gains on the sale of investments. See "Note 11. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $3,856 or 83% mainly due capital grants from XI-Q State bond funded construction projects, which increased $3,872 from the prior year. This increase was caused by a focus on taking care of more campus-wide capital maintenance projects while there were less people around campus due to pandemic.

COVID-19 Institutional Funding increased $4,427, due to additional funding associated with the COVID-19 which was accessed by SOU. See "Note 1.Z. COVID-19 Relief Funding" for additional information regarding this change.

Expenses

Operating Expenses

Operating expenses increased $1,337, or 1% in 2022 over 2021, to $95,003. Operating expenses decreased $6,229, or 6% in 2021 over 2020, to $93,666. Enrollment losses due to COVID-19 triggered the University to immediately take action in the Spring of 2020 term to enter into cost-mitigation measures which included the suspension of all travel, reduced reliance on part-time faculty, and reduced student job opportunities due to students attending classes remotely. In addition, furloughs were implemented to reduce other labor costs, while SOU worked with state and federal programs to reduce the impact to employees affected by those furloughs. These cost saving efforts continued throughout fiscal year 2021.

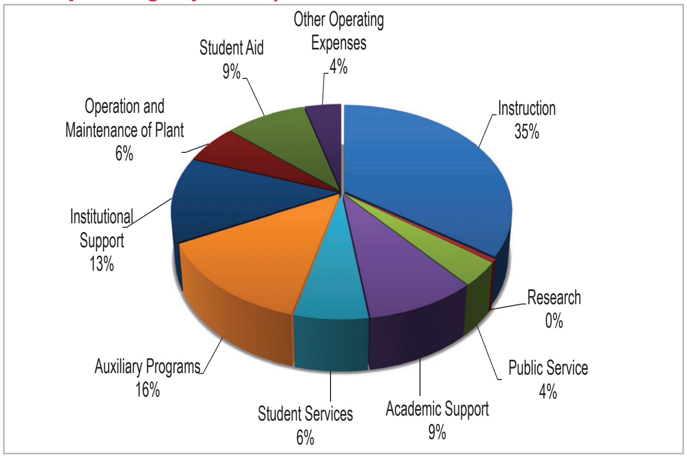
The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,	**2022**	2021	2020
Instruction	**$ 33,028**	$ 33,555	$ 37,367
Research	**475**	579	489
Public Service	**3,447**	3,400	3,641
Academic Support	**8,501**	8,547	8,784
Student Services	**5,701**	5,402	6,020
Auxiliary Programs	**13,067**	11,144	14,018
Institutional Support	**12,241**	11,693	12,135
Operation and Maintenance of Plant	**5,696**	5,017	5,318
Student Aid	**8,867**	6,810	7,309
Other Operating Expenses	**3,980**	7,519	4,814
Total Operating Expenses	**$ 95,003**	$ 93,666	$ 99,895

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

2022 Operating Expense by Function



The implementation of GASB No. 68 in 2015 and the implementation of GASB No. 75 in 2018 have had a profound impact on the operating expenses of SOU. The following tables show the effect of these GASB Statements across the functional classifications. The changes associated with recording the components of Net Pension Liability required by GASB No. 68 decreased operating expenses by $2,903 while the changes associated with recording the components of the OPEB Asset/Liability required by GASB No. 75 decreased them by $317. See "Note 14. Employee Retirement Plans" and "Note 15. Other Postemployment Benefits" for additional details.

The effect of GASB No. 68 and 75 on Expense by Functional Classification

For the Year Ended June 30, 2022	with adjustments	without adjustments	difference
Instruction	$ 33,028	$ 34,477	$ (1,449)
Research	475	491	(16)
Public Service	3,447	3,553	(106)
Academic Support	8,501	8,782	(281)
Student Services	5,701	5,933	(232)
Auxiliary Programs	13,067	13,409	(342)
Institutional Support	12,241	12,495	(254)
Operation and Maintenance of Plant	5,696	6,229	(533)
Student Aid	8,867	8,867	-
Other Operating Expenses	3,980	3,987	(7)
Total Operating Expenses	$ 95,003	$ 98,223	$ (3,220)

For the Year Ended June 30, 2021	with adjustments	without adjustments	difference
Instruction	$ 33,555	$ 30,889	$ 2,666
Research	579	547	32
Public Service	3,400	3,198	202
Academic Support	8,547	8,030	517
Student Services	5,402	5,017	385
Auxiliary Programs	11,144	10,601	543
Institutional Support	11,693	10,860	833
Operation and Maintenance of Plant	5,017	4,633	384
Student Aid	6,810	6,810	-
Other Operating Expenses	7,519	7,503	16
Total Operating Expenses	$ 93,666	$ 88,088	$ 5,578

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

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

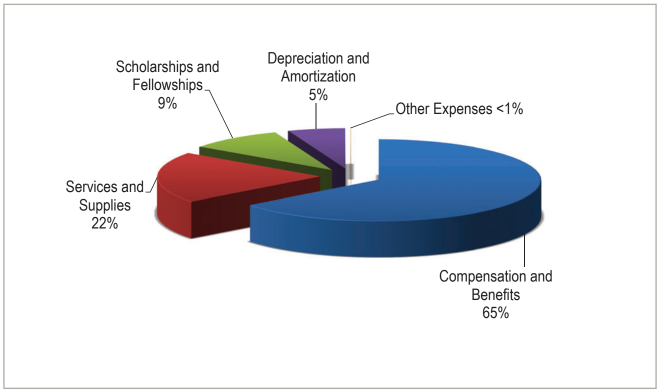
Due to the way in which expenses are incurred by SOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2022	2021	2020
Compensation and Benefits	$ 61,241	$ 61,528	$ 67,788
Services and Supplies	19,339	19,696	19,712
Scholarships and Fellowships	8,969	7,028	7,406
Depreciation and Amortization	5,428	5,414	4,970
Other Expenses	26	-	19
Total Operating Expenses	$ 95,003	$ 93,666	$ 99,895

2022 Operating Expenses by Natural Classification



Comparison of fiscal year 2022 to fiscal year 2021

Compensation and Benefits costs decreased $287 or less than 1% in 2022 compared to 2021 primarily due to:

- Salary and wage costs increased $5,259 due to increases in unclassified pay of $3,289, classified pay of $1,595, and student and graduate assistant pay of $375. These increases can be attributed to the return to more normal staffing levels following decreased levels caused by the pandemic. During the pandemic, SOU made an intentional effort to minimize the number of employees who were laid off. Most employees transitioned to remote working arrangements in order to limit the number of employees on campus to just those employees who could not perform their functions remotely. SOU also participated in federal/state workshare programs in order to limit job loss by placing employees on furloughs that ranged anywhere from 20% to 40%, depending on how much the work unit was being impacted by the pandemic. The pandemic also led to hiring fewer part-time faculty as a result of lower enrollment. In addition, fewer student employees applied for or were needed for jobs as many students migrated off campus to attend their courses remotely.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, increased $3,375. This can mainly be attributed to the increased staffing levels in 2022 as well as an increase in the rate charged for OPE expenses.
- OPE costs associated with net Pension Expense decreased $8,483; costs associated with changes in OPEB liability decreased $314; and costs associated with changes in SLGRP increased $37. See "Note 9. Long-Term Liabilities, "Note 14. Employee Retirement Plans", and "Note 15. Other Postemployment Benefits"

Services and Supplies decreased $357 or 2%, during 2022. Decreases in services and supplies expense were mainly driven by decreased spending for maintenance and repairs. In 2021, SOU made a concerted effort to embark on increased maintenance efforts while there was lessened traffic on campus due to the pandemic. During 2022, the maintenance expenses decreased to pre-pandemic levels. These decreases were mitigated by increases in travel expenses for athletics as well as for general operational staff, fees & services, and other services and supplies.

Scholarships and Fellowships increased $1,941 or 28%, when comparing 2022 to 2021. The increase is predominately due to increased financial aid disbursed from COVID relief funds. These increases were largely offset by decreases in PELL grants.

Depreciation and Amortization expense decreased $14. See "Capital Assets and Related Financing" in this MD&A and "Note 5. Capital Assets" for additional details on this change.

Nonoperating Expenses

- Interest Expense increased $304 or 28% due predominately to interest payments made on bond debt.

Comparison of fiscal year 2021 to fiscal year 2020

Compensation and Benefits costs decreased $6,260 or 9% in 2021 compared to 2020 primarily due to:

- Salary and wage costs decreased $5,888 due to decreases in unclassified pay of $3,638, classified pay of $1,252, and student and graduate assistant pay of $998. These decreases can be attributed to COVID-19 and the University's response to the challenges it presented. SOU made an intentional effort to minimize the number of employees who were laid off. Most employees transitioned to remote working arrangements in order to limit the number of employees on campus to just those employees who could not perform there functions remotely. SOU participated in federal/state workshare programs in order to limit job loss by placing employees on furloughs that ranged anywhere from 20% to 40%, depending on how much the work unit was being impacted by the pandemic. The pandemic also led to hiring fewer part-time faculty as a result of lower enrollment. In addition, fewer student employees applied for or were needed for jobs as many students migrated off campus to attend their courses remotely.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, decreased $1,571.
- OPE costs associated with net Pension Expense increased $925; costs associated with changes in OPEB liability increased $66; and costs associated with changes in SLGRP decreased $28.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Services and Supplies decreased $16 or less than 1%, during 2021. Changes in Services and Supplies expense were mainly due to the following:

- Decreases in expenses of $1,123 for other services and supplies, particularly hosting groups and guests, insurance, and program related dues and memberships.
- Decreases of $1,097 for travel, especially athletic travel and travel for staff. Throughout much of the year, athletic travel activities were canceled. In addition, there were decreased travel for other purposes due to COVID precautions.
- Decreases of $886 for rentals and lease expenses.
- Increased maintenance and repair costs of $2,182 due to an intentional effort by SOU to embark focus on maintenance projects while there was less traffic on campus due to the pandemic.

Scholarships and Fellowships decreased $378 or 5%, when comparing 2021 to 2020. The biggest decrease came from $914 less awarded in Federal PELL grants. This is due to lower than anticipated enrollment numbers tied to COVID-19, as some students elected to delay their studies for a year rather than attend through online course options. The largest increases came from other federal and state financial aid awards, which increased $472, and financial awards originating from gift funds, which increased $214.

Depreciation and Amortization expense increased $444. This is attributable to the addition of depreciation associated with right of use assets established due to the implementation of GASB Statement 87, *Leases.* These additions were countered primarily by a decrease in depreciation for equipment and building due to equipment and building projects reaching full depreciation. See "Capital Assets and Related Financing" in this MD&A, "Note 5. Capital Assets", and "Note 8. Leases" for additional details on this change.

Nonoperating Expenses

- Interest Expense decreased $904 or 46% due predominately to interest savings which were achieved through the refunding of XI-F(1) debt.

Other Nonoperating Items

Comparison of fiscal year 2022 to fiscal year 2021

Other Nonoperating Items increased $4,309, primarily due to losses in the previous fiscal year associated with the refunding of state bonds used for construction.

Comparison of fiscal year 2021 to fiscal year 2020

Other Nonoperating Items decreased $4,348, primarily due to losses associated with the refunding of state bonds used for construction.

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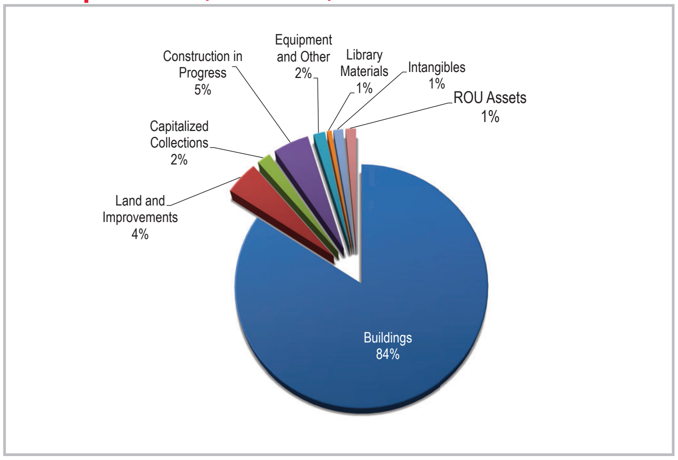
CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2022, SOU had $260,513 in capital assets, less accumulated depreciation of $122,600, for net capital assets of $137,913. At June 30, 2021, SOU had $257,309 in capital assets, less accumulated depreciation of $117,574, for net capital assets of $139,735.

2022 Capital Assets, Net - $137,913 thousand



Changes to Capital Assets

	2022	2021	2020
Capital Assets, Beginning of Year	$ 257,309	$ 250,079	$ 246,209
Add: Purchases/Construction	3,682	7,448	3,856
Less: Retirements/ Disposals/Adjustments	(478)	(218)	14
Total Capital Assets, End of Year	260,513	257,309	250,079
Accum. Depreciation, Beginning of Year	(117,574)	(112,356)	(107,356)
Add: Depreciation Expense	(5,428)	(5,414)	(4,970)
Less: Retirements/ Disposals/Adjustments	402	196	(30)
Total Accum. Depreciation, End of Year	(122,600)	(117,574)	(112,356)
Total Capital Assets, Net, End of Year	$ 137,913	$ 139,735	$ 137,723

During fiscal year 2022:

- Equipment additions of $464 and retirements and adjustments of $15 net for a change in equipment of $449.
- Library materials were added in the amount of $172, with adjustments of $21, for a net addition of $151.
- Construction in progress (CIP) had additions of $1,759, offset by adjustments of $7. This led to a net increase in CIP of $1,752.
- Building additions of $43 were offset by retirements of $61 for a net decrease to buildings of $18.
- Additions to improvements other than buildings (IOTB) totaled $237, while there were retirements of $85, for a net change to IOTB of $152.
- Capitalized collections were increased by $9.
- There were additions to right of use (ROU) leased equipment of $655 and retirements of $213. This caused a net increase due to new and terminated equipment leases of $442.
- ROU lease land additions totaled $343.
- Accumulated depreciation increased $5,026 due to monthly depreciation as well as retirements and adjustments.

During fiscal year 2021:

- Equipment additions of $450 and retirements and adjustments of $102 net for a change in equipment of $348.
- Library materials were added in the amount of $165, with adjustments of $85, for a net addition of $80.
- Construction in progress (CIP) had additions of $3,446, offset by adjustments of $19 and $2,856 transferred out of CIP due to the completion of projects. This led to a net increase in CIP of $571.
- Building additions of $977 and previous CIP projects that were completed of $2,317 were offset by retirements of $12 for a net change to buildings of $3,282.
- Projects on improvements other than buildings were completed in 2021 in the amount of $539.
- Perpetual Intangible assets increased $123 due to the addition of FCC radio licenses, transferred from the JPR Foundation.
- $1,962 was added to ROU leased equipment due to the implementation of GASB Statement 87, *Leases*. See "Note 8. Leases" for additional information.
- The implementation of GASB 87 also necessitated the addition of $310 for ROU leased land.
- Accumulated depreciation increased $5,218 due to monthly depreciation as well as retirements and adjustments.

Debt Administration

During 2022, long-term debt held by SOU decreased by $1,138 or 3%, from $42,599 to $41,461.

Contracts payable to the State of Oregon decreased $887 due to principal and accreted interest payments.

No new loans were added to the State Energy Loan Program (SELP), while principal payments of $148 were paid during the year.

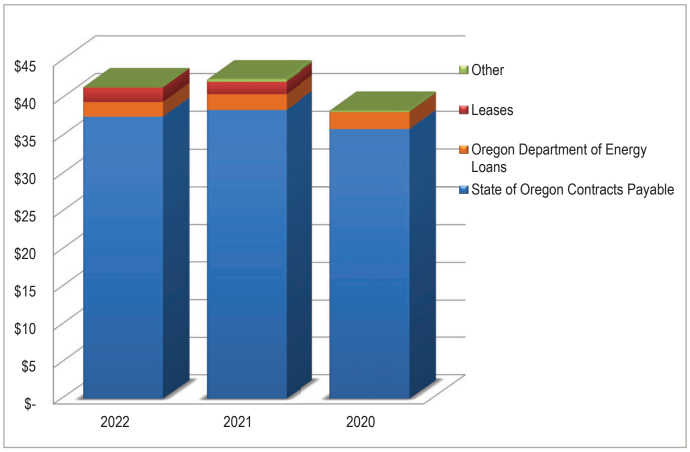
SOU entered into a loan agreement with the Small Business Administration for $279 in 2021 which was forgiven during 2022.

SOU implemented GASB 87 which added $2,273, less payments of $631 to long term debt in 2021. There were also new lease addition of $990 in 2022, while payments and a lease termination resulted in reductions of $721 for a net increase to debt associated with leases of $269 in 2022.

Principal payments on installment purchases of $93 were paid during the year, resulting in the retirement of all installment purchase debt.

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

Long-term Debt



ECONOMIC OUTLOOK

Southern Oregon University is focused on student success and ensuring daily operations are consistent with the University's vision and mission. In addition, SOU continues to engage area industry, businesses, and residents to serve the educational needs of the region and enhance its presence nationally through online programs. SOU's public mission, as a mid-sized regional university offering a comprehensive range of degree programs with a strong emphasis on business, education, and science disciplines, wrapped around a recently modernized liberal arts foundation, is critically important to the region. The SOU Strategic Plan sets the vision and mission for the University and fosters economic development and stability.

The University's financial sustainability is also critical (see Strategic Direction 5: https://sou.edu/strategic-planning/the-sou-plan/), and management continuously makes efforts to evaluate and establish new programs and partnerships to expand into new areas and enhance resource utilization while lowering costs. Funding for major activities at SOU comes from a variety of sources including tuition and fees, financial aid programs, state appropriations, donor gifts, and investment earnings. Revenues are also generated through the recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs of the university.

Among these many sources of revenue, student tuition and fees (net of allowances), and government appropriations are by far the largest, representing 28.5% percent and 29.9% percent, respectively, and combining for 58.4% percent of the combined operating and nonoperating revenues during the fiscal year ended June 30, 2022. The third largest revenue source, auxiliary enterprise revenues, net of allowances, represents 11.5% percent of operating and nonoperating revenues and, like tuition, is strongly correlated with enrollment.

In previous years, the economic outlook has referenced SOU's relatively high dependence on state funding. This reliance continued during fiscal year 2022 and will likely continue into the next fiscal year and beyond. The impact of the COVID-19 pandemic, although significant, was somewhat moderated through several federal grant programs intended to help ease the financial burden of the pandemic on the State's economy and through direct distributions to higher education institutions. The State was able to avoid reductions in funding to higher education for the 2021-23 biennium. In fact, the legislature passed, and the governor signed into law, legislation that increased the Public University Support Fund, which supports the seven public universities, by 8 percent from $837 million to $900 million for the 2021-23 biennium.

Recent state revenue forecasts have been encouraging. Yet the long-term impact of the COVID-19 pandemic to the local, state, and national economies is still unfolding. Evolving federal monetary policy, rising national debt, and recent leading economic indicators, all hint that fast escalation of inflation and rising interest rates seen at the beginning of calendar year 2022 will persist during the next fiscal year and beyond. One risk to revenue collection is that evolving social policies and changing state demographics could put a strain on the state's resources available for higher education. If there are reductions in state funding in the coming 2023-2025 biennium, SOU must consider a combination of expenditure reductions and depletion of reserve funds as a bridge to sustain operations and support the mission of the University until favorable economic conditions return.

The Oregon Higher Education Coordinating Commission (HECC) utilizes a structured funding allocation methodology, the Student Success and Completion Model (SSCM), to determine the amount of state resources to be distributed to each of the seven public universities. Since the implementation of the SSCM in 2015, SOU has performed unfavorably within the model's degree completion, programmatic focus, and enrollment proportional funding system. However, significant changes to the SSCM model were finalized in February 2021 and were implemented beginning with the 2021-23 biennium in July 2021. Under the revised methodology, the Public University Support Fund allocation to SOU resulted in a net gain of $5.8 Million for the 2021-2023 biennium.

For the upcoming academic year, 2022-23, the Board of Trustees of Southern Oregon University approved a 3.98 percent increase in base tuition rates. These rates will continue to be evaluated for market competitiveness while responding to market demand and student affordability. For the fiscal year ending June 30, 2022, overall student tuition and fees revenue, net of allowances, decreased by -7.4 percent over the prior year. Affordability, coupled with being the University for the future will enable us to correct enrollment declines. SOU has continued investment and innovation focused on strategic enrollment management, with a goal of improving student success and boosting overall enrollment and degree completions. The most significant investment is in the funding of a Core Information System Replacement (CISR) project, which will replace outdated enterprise software systems. This will ultimately enable student success. Unfortunately, macro-level factors (like the pandemic) drove continued pressure on enrollment. During Fall 2021, SOU saw a -4.2 percent decrease in total student credit hours with -7.8 percent decrease when excluding advanced southern credit (dual high school enrollments). This is consistent with the experience of most other publicly funded Oregon Technical and Regional Universities (TRUs).

Housing represents one of the larger activities within the auxiliary operations. During fiscal year 2021, housing operations sustained substantial occupancy decreases due to the pandemic environment and the University's quick response to shift to remote course delivery. During fiscal year 2022, the housing operations rebounded to pre-pandemic levels. This is attributed to a couple of factors: 1) the University returning to on-campus course delivery as an addition to continued remote course offerings, and 2) a reduction in the availability of lower cost off-campus housing options. With higher inflationary pressures, and the higher cost of off-campus housing in general, it's anticipated that on-campus housing will remain strong over the next few years since the University has the ability to limit price increases to a greater degree. This is partially due to the University replacing a large core of its housing inventory in 2014, and along with refinancing of bond debt in 2021, a substantial portion of the annual operating costs are less impacted by inflation in the near term. Inflationary factors will still have an impact on other costs of operation, including the need to build maintenance reserves to support higher costs at a later time.

Looking forward, the short-term reality and longer-term uncertainty regarding reduced state SSCM formula driven funding, stemming from a continuing enrollment shortfall, creates some concern. Further losses may yield fiscal challenges which are likely to require additional budget planning and possibly steep expenditure reductions to adjust to a changing economic environment. In response (and like many of its sister institutions), SOU must continue to identify further cost-management measures to keep the cost of education affordable to its future students; particularly those from traditionally underrepresented minority and BIPOC populations whom SOU excels in serving. The University will need to adapt to uncertainty in the revenue environment through continuing to reduce or cap personnel and non-personnel costs and by implementing programs to improve efficiencies over time.

SOU remains committed to its mission and its students and will collaborate with stakeholders to identify and implement the steps necessary to address an evolving landscape for both revenue collection and cost management while continuing to operate effectively.

STATEMENTS OF NET POSITION

SOUTHERN OREGON UNIVERSITY

As of June 30,		2022		As Restated 2021
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	**$**	**5,757**	$	5,324
Collateral from Securities Lending (Note 2)		**146**		163
Accounts Receivable, Net (Note 3)		**13,201**		12,535
Notes Receivable, Net (Note 4)		**978**		912
Lease Receivable (Note 8)		**81**		73
Inventories		**444**		416
Prepaid Expenses		**267**		525
Total Current Assets		**20,874**		19,948
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		**2,614**		2,282
Investments (Note 2)		**13,339**		12,826
Notes Receivable, Net (Note 4)		**2,946**		3,129
Lease Receivable (Note 8)		**1,468**		600
Net OPEB Asset (Note 15)		**1,016**		161
Capital Assets, Net of Accumulated Depreciation (Note 5)		**137,913**		139,735
Total Noncurrent Assets		**159,296**		158,733
Total Assets	**$**	**180,170**	$	178,681
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$**	**11,330**	$	13,463
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 7)	**$**	**5,196**	$	3,599
Deposits		**195**		157
Obligations Under Securities Lending (Note 2)		**146**		163
Current Portion of Long-Term Liabilities (Note 9)		**4,633**		4,772
Unearned Revenues		**3,435**		3,801
Total Current Liabilites		**13,605**		12,492
Noncurrent Liabilities				
Long-Term Liabilities (Note 9)		**42,595**		44,076
Net Pension Liability (Note 14)		**19,313**		41,733
OPEB Liability (Note 15)		**1,204**		1,596
Total Noncurrent Liabilities		**63,112**		87,405
Total Liabilities	**$**	**76,717**	$	99,897
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$**	**24,370**	$	4,696
NET POSITION				
Net Investment in Capital Assets	**$**	**96,452**	$	97,437
Restricted For:				
Nonexpendable Endowments		**1,812**		1,812
Expendable:				
Gifts, Grants and Contracts		**2,636**		2,963
Student Loans		**190**		212
Capital Projects		**394**		308
Debt Service		**264**		311
OPEB Asset		**1,016**		161
Unrestricted (Note 10)		**(12,351)**		(15,653)
Total Net Position	**$**	**90,413**	$	87,551

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,	2022	As Restated 2021
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $12,892 and $10,794, Note 1.U)	**$ 26,205**	$ 30,231
Federal Grants and Contracts	**1,467**	1,403
State and Local Grants and Contracts	**901**	1,015
Nongovernmental Grants and Contracts	**1,812**	1,287
Educational Department Sales and Services	**2,646**	2,147
Auxiliary Enterprises Revenues (Net of Allowances of $1,354 and $636, Note 1.U)	**10,440**	7,509
Other Operating Revenues	**977**	577
Total Operating Revenues	**44,448**	44,169
OPERATING EXPENSES		
Instruction	**33,028**	33,555
Research	**475**	579
Public Service	**3,447**	3,400
Academic Support	**8,501**	8,547
Student Services	**5,701**	5,402
Auxiliary Programs	**13,067**	11,144
Institutional Support	**12,241**	11,693
Operation and Maintenance of Plant	**5,696**	5,017
Student Aid	**8,867**	6,810
Other Operating Expenses	**3,980**	7,519
Total Operating Expenses (Note 12)	**95,003**	93,666
Operating Loss	**(50,555)**	(49,497)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 13)	**27,470**	25,131
Financial Aid Grants	**13,933**	10,304
Gifts	**4,874**	4,111
Investment Activity (Note 11)	**(1,321)**	1,314
Gain on Sale of Assets, Net	**960**	5
Interest Expense	**(1,376)**	(1,072)
COVID-19 Institutional Funding (Note 1.Z)	**6,033**	5,238
Other Nonoperating Items	**203**	(4,106)
Net Nonoperating Revenues	**50,776**	40,925
Income (Loss) Before Other Nonoperating Revenues	**221**	(8,572)
Debt Service Appropriations (Note 13)	**179**	179
Capital Grants and Gifts	**2,462**	8,476
Total Other Nonoperating Revenues	**2,641**	8,655
Increase In Net Position	**2,862**	83
NET POSITION		
Beginning Balance	**87,551**	87,468
Ending Balance	**$ 90,413**	$ 87,551

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

For the Years Ended June 30,		2022		As Restated 2021
		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	**$**	**25,613**	$	28,279
Grants and Contracts		**4,174**		4,443
Educational Department Sales and Services		**2,631**		2,127
Auxiliary Enterprises Operations		**6,919**		7,054
Payments to Employees for Compensation and Benefits		**(64,341)**		(56,394)
Payments to Suppliers		**(18,373)**		(19,757)
Student Financial Aid		**(8,969)**		(7,028)
Other Operating Receipts		**872**		579
Fiduciary Activities - Direct Student Loan Receipts		**16,877**		18,208
Fiduciary Activities - Direct Student Loan Disbursements		**(16,853)**		(18,076)
Fiduciary Activities - Other Custodial Fund Receipts		**63**		45
Fiduciary Activities - Other Custodial Fund Disbursements		**(69)**		(58)
Net Cash Used by Operating Activities		**(51,456)**		(40,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations		**27,470**		25,131
Financial Aid Grants		**13,933**		10,304
Gifts		**4,700**		4,175
Other Noncapital Financing Receipts (Disbursements)		**(235)**		284
COVID-19 Institutional Funding		**10,530**		1,552
Net Cash Provided by Noncapital Financing Activities		**56,398**		41,446
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt Service Appropriations		**179**		179
Capital Grants and Gifts		**1,660**		8,883
Proceeds from Sale of Capital Assets		**1,036**		27
Purchases of Capital Assets		**(2,049)**		(4,866)
Interest Payments on Capital Debt		**(1,320)**		(1,458)
Principal Payments on Capital Debt		**(1,849)**		(2,357)
Net Cash Provided (Used) by Capital and Related Financing Activities		**(2,343)**		408
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments		**(2,287)**		(3,393)
Income on Investments and Cash Balances		**453**		638
Net Cash Provided (Used) by Investing Activities		**(1,834)**		(2,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**765**		(1,479)
CASH AND CASH EQUIVALENTS				
Beginning Balance		**7,606**		9,085
Ending Balance	**$**	**8,371**	$	7,606

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

For the Years Ended June 30,		2022		As Restated 2021
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	**$**	**(50,555)**	$	(49,497)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation Expense		**5,428**		5,414
Fiduciary Student Loans		**24**		132
Other Fiduciary Activities		**(6)**		(13)
Changes in Assets and Liabilities:				
Accounts Receivable		**(4,219)**		(2,931)
Notes Receivable		**(139)**		717
Leases		**485**		(20)
Inventories		**(28)**		(34)
Prepaid Expenses		**258**		186
Accounts Payable and Accrued Liabilities		**1,365**		(718)
Long-Term Liabilities		**(482)**		61
Unearned Revenue		**(366)**		547
OPEB Asset/Liability and Related Deferrals		**(317)**		(2)
Net Pension Liability and Related Deferrals		**(2,904)**		5,580
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(51,456)**	$	(40,578)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Contributed Capital Assets Acquired	**$**	**264**	$	69
Capital Assets Acquired by Accounts Payable		**501**		325
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity		**(1,425)**		583
Gain on Sale of Investments Recognized as a Component of Investment Activity		**(349)**		109

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

STATEMENTS OF FINANCIAL POSITION

SOUTHERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT

As of June 30,	2022	2021
	(in thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	**$ 1,409**	$ 1,068
Unconditional Promises to Give, Net	**612**	330
Total Current Assets	**2,021**	1,398
Noncurrent Assets		
Investments	**36,845**	38,778
LongTerm Unconditional Promises to Give, Net	**377**	296
Assets Held Under Split-Interest Agreements	**538**	519
Other Assets	**773**	1,063
Total Other Assets	**38,533**	40,656
Total Assets	**$ 40,554**	$ 42,054
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	**$ 160**	$ 90
Payments Due to Related Entity	**61**	39
Total Current Liabilities	**221**	129
Obligations Under Split-Interest Agreements	**217**	235
Total Liabilities	**438**	364
Net Assets		
Without Donor Restrictions	**3,350**	3,057
With Donor Restrictions	**36,766**	38,633
Total Net Assets	**40,116**	41,690
Total Liabilities and Net Assets	**$ 40,554**	$ 42,054

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

For the Years Ended June 30,		2022		2021
		(In thousands)		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Other Support				
Donations	$	**145**	$	126
Contributed Services Support		**974**		784
Net Investment Income		**126**		124
Net Realized and Unrealized Gains (Losses)		**(290)**		-
Net Assets Released From Restrictions		**4,252**		3,341
Total Revenue and Other Support		**5,207**		4,375
Functional Expenses				
Program Services		**3,184**		2,717
Management and Fundraising		**1,730**		1,311
Total Expenses		**4,914**		4,028
Other Changes in Net Assets				
Loss on Sale of Other Assets		**-**		(50)
Increase In Unrestricted Net Assets		**293**		297
Beginning Balance, Unrestricted Net Assets		**3,057**		2,760
Ending Balance, Unrestricted Net Assets	**$**	**3,350**	$	3,057
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Revenue and Other Support				
Donations		**7,397**		3,569
Change in Split-Interest Agreements		**67**		(43)
Net Investment Income		**1,626**		983
Net Realized and Unrealized Gains		**(6,905)**		7,435
Fundraising Activities and Other Income		**200**		65
Net Assets Released From Restrictions		**(4,252)**		(3,341)
Increase (Decrease) In Net Assets With Donor Restrictions		**(1,867)**		8,668
Beginning Balance, Net Assets With Donor Restrictions		**38,633**		29,965
Ending Balance, Net Assets With Donor Restrictions	**$**	**36,766**	$	38,633
Increase (Decrease) In Total Net Assets		**(1,574)**		8,965
Beginning Balance, Total Net Assets		**41,690**		32,725
Ending Balance, Total Net Assets	**$**	**40,116**	$	41,690

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

	Custodial Funds			
As of June 30,		**2022**		2021
	(In thousands)			
ASSETS				
Cash Deposits - Student Housing Program	**$**	**474**	$	221
Cash Deposits - Other		**105**		99
Deposits Held By Others		**4,457**		1,532
Accounts Receivable, Net		**515**		139
Prepaid Expenses		**121**		91
Total Assets	**$**	**5,672**	$	2,082
LIABILITIES				
Payments Due to University	**$**	**4,457**	$	1,532
Accounts Payable and Accrued Liabilities		**96**		34
Total Liabilities	**$**	**4,553**	$	1,566
FIDUCIARY NET POSITION				
Restricted For:				
CHF-Ashland, L.L.C.	**$**	**1,014**	$	422
Student and Campus Organizations		**105**		94
Total Fiduciary Net Position	**$**	**1,119**	$	516

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

	Custodial Funds			
For the Years Ended June 30,		**2022**		2021
	(In thousands)			
ADDITIONS				
Student Housing Rentals	**$**	**6,608**	$	3,622
Conference and Miscellaneous Rentals		**108**		22
Other Additions		**12**		13
Total Additions	**$**	**6,728**	$	3,657
DEDUCTIONS				
Student Housing Operations	**$**	**5,932**	$	4,383
Student Housing Administrative and General		**166**		106
Other Deductions		**27**		19
Total Deductions	**$**	**6,125**	$	4,508
Increase (Decrease) In Fiduciary Net Position	**$**	**603**	$	(851)
Fiduciary Net Position - Beginning		**516**		1,367
Fiduciary Net Position - Ending	**$**	**1,119**	$	516

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

B. Financial Statement Presentation

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

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

Financial statements of the SOU Foundation for fiscal years ended June 30, 2022 and 2021 are discretely presented. The Foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the University. No modifications have been made to the Foundation's financial information included in the University's financial report.

Financial statements of fiduciary funds for fiscal years ended June 30, 2022 and 2021 are presented and are prepared in accordance with the requirements of GASB Statement No. 84. SOU holds funds for external entities and individuals including funds for CHF-Ashland, L.L.C. (CHF). CHF owns North Campus Village, a 702-bed student housing facility. SOU manages North Campus Village on behalf of CHF through a contractual management agreement. The property and all housing revenue generated by North Campus Village is owned by CHF, and these amounts are not included in the University's financial statements. Additionally, SOU holds funds for various campus and student organizations that operate on SOU's campus.

C. Basis of Accounting

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

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

SOU implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves the accounting and financial reporting for leases. The new standard required a restatement of the 2021 financial statements to provide consistency with the 2022 financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement substantially impacts the University's lease accounting and reporting. Previously, the University reported capital leases as a capital asset and a long-term liability in the Statement of Net Position (SNP). Additionally, operating lessee leases were recorded as operating expenses and operating lessor leases as operating revenue in the Statement of Revenue, Expenses, and Changes in Net Position (SRE). Please see "Note 1. Y. Reclassifications and Restatements" for more information regarding the impacts to the fiscal year 2021 financial statements due to the implementation of this standard.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym, ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments and is effective for the fiscal year ended June 30, 2022. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. SOU implemented this Statement effective for fiscal year 2022 and has changed all references of comprehensive annual financial report to annual comprehensive financial report throughout this document.

UPCOMING ACCOUNTING STANDARDS

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, S*ubscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended*, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal year ended June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal year ended June 30, 2024. Not all sections of the Statement will be applicable to the University. The Statement is being reviewed for applicability and impact on the University's financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement defines four categories of accounting changes and error corrections and related accounting and financial reporting requirements: (1) Changes in accounting principle must be reported retroactively by restating prior periods. (2) Changes in accounting estimate must be reported prospectively by recognizing the change in the current period. (3) Changes to and within the financial reporting entity must be reported by adjusting beginning balances of the current period. (4) Error corrections resulting from mathematical mistakes, misuse of information, or misapplication of accounting principle should be reported retroactively by restating prior periods. This Statement will apply to the University if any of the above fact patterns exist. This Statement will be effective for the fiscal year ended June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement will impact the University's calculation of the compensated absences liability and is currently being reviewed. This statement will be effective for the fiscal year ended June 30, 2025.

D. Cash and Cash Equivalents

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

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position. See "Note 11. Investment Activity" for additional information.

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

F. Receivables

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

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

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

G. Inventories

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

H. Capital Assets

Capital assets are recorded at cost on the date acquired or at acquisition value on the date donated. SOU capitalizes equipment with unit costs of $5 or more and an estimated useful life of greater than one year. SOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 to $100, depending on the type of real property. Intangible assets valued in excess of $100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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

I. Leases

The University determines if an arrangement is a lease at inception. Lessee arrangements are included in capital assets, as right of use (ROU) assets, and long-term liabilities, current and noncurrent, in the statements of net position. ROU assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. ROU assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. ROU assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Per SOU policy, the University has elected to recognize payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than five thousand dollars as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. SOU recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. Per University policy, SOU also recognizes payments received on leases with an initial calculated net present value of five thousand dollars or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

J. 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).

K. Compensated Absences

SOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. An estimate is made to allocate this liability between its current and noncurrent components. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

L. Net Pension Liability

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

M. Other Postemployment Benefits (OPEB) Asset/ Liability

The University reports their proportionate share of the net PERS RHIA OPEB asset, net PERS RHIPA OPEB asset and 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.

N. Deferred Outflows and Deferred Inflows of Resources

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

O. Net Position

SOU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

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

P. Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time 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.

Q. Endowments

The University has the authority, through SOU Board policy, to use the interest, income, dividends, or profits of endowments. SOU has entered into an agreement with the Oregon State Treasury (State Treasury) for the management of SOU endowment funds. SOU Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current Board policy, the amount available for distribution during fiscal year 2023 is estimated to be $105. For the year ended June 30, 2022, the net amount of appreciation available for authorization for expenditure was $104. For the year ended June 30, 2021, the net amount of appreciation available for authorization for expenditure was $100. Net appreciation of endowments are included in Expendable Gifts, Grants, and Contracts on the Statement of Net Position.

Nonexpendable Endowments on the Statement of Net Position of $1,812 at both June 30, 2022 and 2021 represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

R. Income Taxes

SOU is treated as a governmental entity for tax purposes. As such, SOU is generally not subject to federal and state income taxes. However, SOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2022 or June 30, 2021, because there is no amount of taxes on such unrelated business income for SOU.

S. Revenues and Expenses

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

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

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

T. State Support

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

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

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

U. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship and bad debt allowances. A scholarship allowance is the difference between the University's stated rates and charges and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as PELL grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance. SOU has three types of allowances that net into tuition and fees and auxiliary revenues. Tuition and housing waivers provided directly by SOU amounted to $4,117 and $3,374 for the fiscal years ended June 30, 2022 and 2021, 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 $8,708 and $7,210 for the fiscal years ended June 30, 2022 and 2021, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,421 and $846 for the fiscal years ended June 30, 2022 and 2021, respectively.

V. Federal Student Loan Programs

SOU receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities, such as SOU, to report activities that would otherwise be considered custodial funds in SOU's Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by SOU students but not reported in operations was $16,853 and $18,076 for the fiscal years ended June 30, 2022 and 2021, respectively.

W. Deposit Liabilities

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

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

Y. Reclassifications and Restatements

Certain amounts within the June 30, 2021 have been reclassified to conform to the June 30, 2022 presentation. The reclassifications had no effect on previously reported net position.

The implementation of GASB Statement No. 87 in fiscal year 2022 required retrospective of all financial years presented. Accordingly, fiscal year 2021 financial information has been restated to reflect the implementation. For the fiscal year ended June 30, 2021, SOU increased operating revenue by $20, decreased operating expenses by $15, and decreased net nonoperating revenue by $26 for a net impact to the SRE of $9. SOU recorded an additional $2,304 in total assets, an additional $1,642 in total liabilities, an increase of $653 in deferred inflow, and a $9 increase in total net position on the SNP for the fiscal year ended June 30, 2021.

Z. COVID-19 Relief Funding

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

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was approved by Congress in December 2020 as part of the Consolidated Appropriations Act of 2021. The law authorized $23 billion through the Education Stabilization Fund specifically for higher education. These funds were allocated to institutions using the HEERF in the CARES Act and this portion of relief funding is commonly referred to as HEERF II. The CRRSAA Act requires institutions to provide the same amount in emergency aid to students as they received under the CARES Act, but may spend any additional funds on institutional expenses such as to reimburse themselves for expenses incurred due to continuing operations during the pandemic; defray losses due to decreased revenue; implement information technology infrastructure and distance learning capacity for current and future students; fund payroll; and faculty and staff professional development.

In March 2021, Congress passed additional COVID relief funding in the American Rescue Plan (ARP). This law authorized $39.6 billion to higher education through the Higher Education Emergency Relief Fund (known as HEERF III). Similar to the CARES Act, institutions must spend at least 50% of their allocation on emergency financial aid grants directly to students. Institutions are required to spend a "reasonable and necessary" amount of institutional funds on monitoring and controlling the spread of COVID-19 on their campus and on outreach to students alerting them of opportunities to receive a financial aid adjustment due to lost income as a result of the pandemic. Additionally, institutions may use remaining funds to replace lost revenue, fund emergency expenses, or meet payroll costs, among other expenses. Institutions who received HEERF I or HEERF II funds are automatically awarded HEERF III funds.

As of June 30, 2022, total COVID relief funding awarded to SOU under the different HEERF iterations was $20,597. SOU was awarded $8,951 for the student portion allocation, all of which was received and dispersed directly to students as emergency financial aid grants as of June 30, 2022. As of June 30, 2021, $3,162 had been received and dispersed to students. SOU recognized nonoperating financial aid grant revenue and student aid operating expense for the receipt and disbursement of these funds.

SOU was awarded $11,646 for the institutional portion allocation, all of which was received and expended as of June 30, 2022. As of June 30, 2021, SOU had receivables of $4,491 for expenses made and $5,767 remained for use in fiscal year 2022. SOU recognized other nonoperating revenue for the total amount recognized. Expenditures identified as allowable relate to foregone revenues attributed to a fee which was not charged to students in the spring of 2020.

In addition to the student and institutional portions, SOU was awarded $435 through the Strengthening Institutions Program (SIP), all of which was received and expended as of June 30, 2022. SOU recognized other nonoperating revenue for the total amount recognized. Funding through this program was used to defray institutional expenses related to technology costs associated with the transition to a remote environment as well as other supplies.

SOU was also awarded $146 through the Governor's Emergency Education Relief Fund, all of which was received and expended as of June 30, 2022. This funding was used for student financial aid and for costs incurred to assist students with remote enrollment. At June 30, 2021, $73 had been dispersed and $73 remained to be expended.

AA. Custodial Funds Net Position

The majority of the Custodial Funds reported in the Statements of Fiduciary Net position and the Statements of Changes in Fiduciary Net Position are associated with the CHF-Ashland, LLC Housing project. The Housing project is owned by the Collegiate Housing Foundation (CHF). SOU is managing the project on behalf of CHF, which includes collecting housing rents, paying ongoing operating expenses from the rental revenue, and forwarding funds to cover the debt service obligations on the bonds related to the project. As part of the compensation back to the University, the University receives a ground-lease payment, which varies from year to year. At the end of fiscal year 2022 and 2021, respectively, the ground-lease receivable to the University was $4,457 and $1,532. During fiscal year 2021, CHF engaged in a process to refinance the bond debt, and, as part of the process, some amendments were made to the agreement between CHF and the University. These changes were intended to give the bond holders greater assurances regarding the ability to continue to meet the payment of the ongoing debt-service obligations, particularly during this current pandemic situation which was having an impact on the housing occupancy levels. These changes impact the presentation of the Custodial Funds since only a portion of the CHF Housing project's overall activity is reflected on the University books. These changes impact the timing of the payment of the ground lease to the University. In FY2021, CHF and the University agreed to delay the payment of the ground lease to the University for a period of up to three years ending on June 30, 2023. Prior to June 30, 2023, the funds normally paid to the University for the ground lease are to be placed into a "surplus" fund (held by CHF) until the balance in the fund reaches $2,800 (equal to one year's highest debt obligation for CHF). For the years prior to June 30, 2023, the surplus fund will act as a secondary debt-service reserve. Once the balance in the surplus fund reaches $2,800, any amount of the ground lease that exceeds that amount will be paid to the University. As of June 30, 2022, the balance in the surplus fund has reached $4,457. The excess $1,657 will be paid to the University once the audit of CHF's financial statements has been completed, during the fall of 2022. If the remaining balance in the surplus fund is not needed to cover debt-service obligations, it will be paid out to the University when the amendment to the agreement ends on June 30, 2023. The cash in the surplus fund which is being held for the ground lease, has been included in the Statement of Fiduciary Net Position as Deposits Held by Others and is also reflected on the Statements of Changes in Fiduciary Net Position as a reduction to deductions for Student Housing Operations.

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2. CASH AND INVESTMENTS

The majority of SOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury) during the fiscal years ended June 30, 2022 and 2021. The State Treasury manages these invested assets through commingled investment pools. The operating funds of SOU are commingled with cash and investments from five other Oregon public universities and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined Designated University, currently Oregon State University. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

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

For full disclosure regarding cash and investments managed by the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 867 Hawthorn Avenue, SE, Salem, OR 97301-5241 or via the internet at www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx.

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2022 and 2021 as follows:

	June 30, 2022	June 30, 2021
Current		
Unrestricted	$ 2,944	$ 2,951
Restricted For:		
Gifts, Grants, and Contracts	534	791
Debt Service	85	177
Student Aid	52	63
Payroll Vendor Payments	2,133	1,332
Petty Cash	9	10
Total Current Cash	5,757	5,324
Noncurrent		
Unrestricted	2,363	2,131
Restricted For:		
Capital	251	151
Total Noncurrent Cash	2,614	2,282
Total	$ 8,371	$ 7,606

Noncurrent, unrestricted cash consists primarily of student building fee funds. The Board of Trustees has spending authority over these funds, which are no longer restricted. Currently, the Board has no plans to spend these funds in the next fiscal year, as these funds will likely be used for future debt service payments or other capital project expenses. As such, the University has classified these amounts as noncurrent. The portion of the student building fee funds that will be used for debt service payable in fiscal year 2023 is reported as current cash.

DEPOSITS WITH STATE TREASURY

SOU maintains a portion of its current cash balances on deposit with the State Treasury. These deposits are held on a pooled basis as described above in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool for use by all state agencies or by agreement for related agencies, such as SOU. The State Treasury invests these deposits in high-grade short-term investment securities. While the University is not required by statute to collateralize deposits, it does have a contractual obligation with the State Treasury to collateralize deposits within 24 hours of receipt. At the fiscal year ended June 30, 2022 and 2021, SOU cash and cash equivalents on deposit at the State Treasury was $8,362 and $7,596, respectively. At the fiscal year ended June 30, 2022 and 2021, cash and cash equivalents on deposit at the State Treasury held for custodial (fiduciary) funds as reported on the Statements of Fiduciary Net Position was $579 and $320, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

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

FOREIGN CURRENCY RISK—DEPOSITS

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

OTHER DEPOSITS

For the years ended June 30, 2022 and 2021, SOU had vault and petty cash balances of $9 and $10, respectively.

B. Investments

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

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Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2022, of the total $13,339 in investments, $2,578 are restricted for endowments, which include both true and quasi-endowments.

At June 30, 2021, of the total $12,826 in investments, $3,178 are restricted for endowments, which include both true and quasi-endowments.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position. Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of SOU's portion of PUF pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2022.

Of SOU's total assets invested in the PUF investment pool, as of June 30, 2022, $10,761 are invested in the CBF. As of June 30, 2021, $9,646 were invested in the CBF.

Investments of the SOU discretely presented component units are summarized at June 30, 2022 and 2021 as follows:

COMPONENT UNIT

Fair Value at June 30,	2022	2021
Investment Type:		
Mutual Funds:		
Equities	$ 22,442	$ 25,667
Fixed Income	14,401	13,063
Cash and Cash Equivalents	2	48
Total Investments	$ 36,845	$ 38,778

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. As of June 30, 2022 and 2021, respectively, approximately 100.0 percent and 94.5 percent of investments in the PUF pools were subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $311,294 at June 30, 2022 and $223,564 at June 30, 2021 for investments in the PUF pools. Fixed income securities which have not been evaluated by the rating agencies totaled $14,714 at June 30, 2022 and $31,546 at June 30, 2021 for investments in PUF pools. The PUF Investment Pools totaled $326,008 at June 30, 2022, of which SOU owned $10,761 or 3.3 percent. The PUF Investment Pools totaled $270,091 at June 30, 2021, of which SOU owned $9,646 or 3.6 percent. As of June 30, 2022 and June 30, 2021, SOU's endowment assets managed by the State Treasury were invested in commingled funds and did not have independently published ratings.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The State Treasury has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2022 and 2021, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. To mitigate the concentration of credit risk in the PUF, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer and no more than three percent of the individual issue, unless U.S. Government and Agency issues. For all other types of fixed income investments, not more than five percent of the market value of any investment fund will be invested in any single security, unless part of an index fund. No more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer, with the exception of the U.S. Government and Agency issues. Per SOU's Endowment Policy, no total investments from a single issuer comprised more than five percent of PUF investments, excluding U.S. Government and Agency issues.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. As of June 30, 2022, none of the SOU endowments managed by the State Treasury were subject to foreign currency risk. As of June 30, 2021, approximately 37.3 percent, or $1,186, of SOU endowments managed by the State Treasury were subject to foreign currency risk. No investments in the PUF had reportable foreign currency risk at June 30, 2022 or 2021.

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, 2022, securities in the PUF Investment Pool held subject to interest rate risk totaling $326,008 had an average duration of 3.70 years. As of June 30, 2021, securities in the PUF Investment Pool held subject to interest rate risk totaling $255,110 had an average duration of 4.04 years. As of June 30, 2022, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $2,578 had an average duration of 7.49 years. As of June 30, 2021, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $722 had an average duration of 7.06 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

FAIR VALUE MEASUREMENT

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

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

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

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

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

The fair value of SOU's investments in the PUF are based on the investments' NAV per share provided by the State Treasury. Fair value measurements for the University's investments in the CBF at June 30, 2022 and 2021 totaled $10,761 and $9,646, respectively.

At June 30, 2022, 100 percent, or $2,578, of the SOU endowment managed by the State Treasury was valued using level 2 inputs.

At June 30, 2021, 100 percent, or $3,179, of the SOU endowment managed by the State Treasury was valued using level 2 inputs.

At June 30, 2022 and 2021, 100 percent of the SOU Foundation's investments were valued using level 1 inputs.

C. Securities Lending

In accordance with the State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. SOU's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2022 and 2021.

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

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

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2022 and 2021, is effectively one day. As of June 30, 2022 and 2021, 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, 2022 and 2021 comprised the following:

	June 30, 2022	June 30, 2021
Investment Type		
U.S. Treasury and Agency Securities	**$ 18**	$ 198
Domestic Fixed Income Securities	**139**	156
Total	**$ 157**	$ 354

The fair value of the University's share of total cash and securities collateral received as of June 30, 2022 and 2021 was $160 and $361, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2022 and 2021 was $146 and $163, respectively.

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3. ACCOUNTS RECEIVABLE

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

	June 30, 2022	June 30, 2021
Student Tuition and Fees	$ 7,784	$ 7,208
Auxiliary Enterprises and Other Operating Activities	2,647	2,090
Capital Construction Gifts and Grants	794	-
State, Other Government, and Private Gifts, Grants and Contracts	450	360
Component Units	242	68
Fiduciary Units	4,457	1,532
Federal Grants and Contracts	287	4,739
Other	110	5
	16,771	16,002
Less: Allowance for Doubtful Accounts	(3,570)	(3,467)
Accounts Receivable, Net	$ 13,201	$ 12,535

The $4,457 due from a fiduciary unit is due from CHF as described in Note 1.B. Currently, CHF has placed the monies to relieve this receivable in a reserve account, as the University has agreed to act as a guarantor of CHF's bond debt service payments through 2023. If funds are not used for debt service payments by 2023, SOU will then be paid such monies. The University believes the likelihood of having to make this guarantee is highly unlikely.

4. NOTES RECEIVABLE

SOU Notes Receivable has three main components.

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

Receivables for construction reimbursements are due to SOU from the State of Oregon for construction projects that will be reimbursed from bond proceeds held by the state. These notes receivable are offset by loan agreements to the state, which are presented in "Note 9. Long-Term Liabilities".

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

June 30, 2022	Current	Noncurrent	Total
Institutional and Other Student Loans	**$ 895**	**$ 2,705**	**$ 3,600**
Third Party Commitment	**101**	**1,510**	**1,611**
	996	**4,215**	**5,211**
Less: Allowance for Doubtful Accounts	**(18)**	**(1,269)**	**(1,287)**
Notes Receivable, Net	**$ 978**	**$ 2,946**	**$ 3,924**

June 30, 2021	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 575	$ 1,748	$ 2,323
Receivable for Construction Reimbursements	256	-	256
Third Party Commitment	99	1,611	1,710
	930	3,359	4,289
Less: Allowance for Doubtful Accounts	(18)	(230)	(248)
Notes Receivable, Net	$ 912	$ 3,129	$ 4,041

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5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2020	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2021	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2022**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 4,465	$ -	$ -	$ -	$ 4,465	**$ -**	**$ -**	**$ (76)**	**$ 4,389**
Capitalized Collections	2,460	15	-	-	2,475	**9**	**-**	**-**	**2,484**
Construction in Progress	4,189	3,446	(2,856)	(19)	4,760	**1,759**	**-**	**(7)**	**6,512**
Perpetual Intangible Assets	1,612	123	-	-	1,735	**-**	**-**	**-**	**1,735**
Total Capital Assets, Non-depreciable/Non-amortizable	12,726	3,584	(2,856)	(19)	13,435	**1,768**	**-**	**(83)**	**15,120**
Capital Assets, Depreciable/ Amortizable:									
Equipment	12,989	450	-	(102)	13,337	**464**	**-**	**(15)**	**13,786**
Library Materials	15,122	165	-	(85)	15,202	**172**	**-**	**(21)**	**15,353**
Buildings	199,648	977	2,317	(12)	202,930	**43**	**-**	**(61)**	**202,912**
Land Improvements	3,029	-	-	-	3,029	**-**	**-**	**-**	**3,029**
Improvements Other Than Buildings	1,435	-	539	-	1,974	**237**	**-**	**(85)**	**2,126**
Infrastructure	3,039	-	-	-	3,039	**-**	**-**	**-**	**3,039**
Intangible Assets	2,091	-	-	-	2,091	**-**	**-**	**-**	**2,091**
ROU Leased Equipment	-	1,962	-	-	1,962	**655**	**-**	**(213)**	**2,404**
ROU Leased Land	-	310	-	-	310	**343**	**-**	**-**	**653**
Total Capital Assets, Depreciable/Amortizable	237,353	3,864	2,856	(199)	243,874	**1,914**	**-**	**(395)**	**245,393**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(10,992)	(435)	-	102	(11,325)	**(438)**	**-**	**33**	**(11,730)**
Library Materials	(14,202)	(210)	-	85	(14,327)	**(201)**	**-**	**21**	**(14,507)**
Buildings	(78,952)	(3,980)	-	9	(82,923)	**(3,838)**	**-**	**50**	**(86,711)**
Land Improvements	(2,165)	(88)	-	-	(2,253)	**(88)**	**-**	**-**	**(2,341)**
Improvements Other Than Buildings	(964)	(60)	-	-	(1,024)	**(122)**	**-**	**85**	**(1,061)**
Infrastructure	(2,991)	-	-	-	(2,991)	**-**	**-**	**-**	**(2,991)**
Intangible Assets	(2,090)	-	-	-	(2,090)	**-**	**-**	**-**	**(2,090)**
ROU Leased Equipment	-	(602)	-	-	(602)	**(676)**	**-**	**213**	**(1,065)**
ROU Leased Land	-	(39)	-	-	(39)	**(65)**	**-**	**-**	**(104)**
Total Accumulated Depreciation/ Amortization	(112,356)	(5,414)	-	196	(117,574)	**(5,428)**	**-**	**402**	**(122,600)**
Total Capital Assets, Net	$ 137,723	$ 2,034	$ -	$ (22)	$ 139,735	**$ (1,746)**	**$ -**	**$ (76)**	**$ 137,913**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 12,726	$ 3,584	$ (2,856)	$ (19)	$ 13,435	**$ 1,768**	**$ -**	**$ (83)**	**$ 15,120**
Capital Assets, Depreciable/ Amortizable	237,353	3,864	2,856	(199)	243,874	**1,914**	**-**	**(395)**	**245,393**
Total Cost of Capital Assets	250,079	7,448	-	(218)	257,309	**3,682**	**-**	**(478)**	**260,513**
Less Accumulated Depreciation/ Amortization	(112,356)	(5,414)	-	196	(117,574)	**(5,428)**	**-**	**402**	**(122,600)**
Total Capital Assets, Net	$ 137,723	$ 2,034	$ -	$ (22)	$ 139,735	**$ (1,746)**	**$ -**	**$ (76)**	**$ 137,913**

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6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2022	June 30, 2021
Deferred Outflows of Resources due to:		
Pension Obligations (Note 14)	**$ 11,094**	$ 13,085
Other Postemployment Benefit Obligations (Note 15)	**236**	378
Total Deferred Outflows of Resources:	**$ 11,330**	$ 13,463
Deferred Inflows of Resources		
Leases (Note 8)	**$ 2,014**	$ 653
Pension Obligations (Note 14)	**21,133**	3,608
Other Postemployment Benefit Obligations (Note 15)	**1,223**	435
Total Deferred Inflows of Resources:	**$ 24,370**	$ 4,696

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2022	June 30, 2021
Payroll Related	**$ 2,126**	$ 1,331
Salaries and Wages	**868**	1,060
Services & Supplies	**1,212**	449
Accrued Interest	**489**	433
Contract Retainage Payable	**169**	323
Construction Payables	**332**	2
Other	**-**	1
Total	**$ 5,196**	$ 3,599

8. LEASES

A. Lessee Arrangements

SOU leases equipment, vehicles, and space from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2036 and provide for renewal options ranging from one year to ten years. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University made variable payments on leases in the amount of $14 and $13 during the fiscal years ended June 30, 2022 and 2021, respectively. These payments were made based on the income the University received from various subleases in which SOU was the lessor. The University has leases featuring payments tied to the consumer price index. The University does not have any leases subject to a residual value guarantee. See "Note 5. Capital Assets" for information on right-to-use assets and associated accumulated depreciation. See "Note 9. Long-Term Liabilities" for future payments schedule.

B. Lessor Arrangements

SOU leases building space and infrastructure to external parties. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. SOU records lease revenue in Educational Department Sales and Services. The expected receipts are discounted using the interest rate charged on the lease or using the University's incremental borrowing rate. SOU booked total revenue in the amount of $3,161 and $1,621 for the fiscal years ended June 30, 2022 and 2021, respectively. Variable payments are excluded from the valuations unless they are fixed in substance. Of the total revenue recorded, $3,072 and $1,532, respectively, were variable in nature.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

9. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 38,483	$ -	$ (887)	$ 37,596	$ 864	$ 36,732
Oregon Department of Energy Loans (SELP)	2,102	-	(148)	1,954	159	1,795
Small Business Administration Loan	279		(279)	-	-	-
Leases	1,642	990	(721)	1,911	649	1,262
Installment Purchase	93	-	(93)	-	-	-
Total Long-Term Debt	42,599	990	(2,128)	41,461	1,672	39,789
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	2,597	-	(270)	2,327	361	1,966
Compensated Absences	2,720	1,088	(1,236)	2,572	2,375	197
Early Retirement Liability	932	15	(79)	868	225	643
Total Other Noncurrent Liabilities	6,249	1,103	(1,585)	5,767	2,961	2,806
Total Long-Term Liabilities	$ 48,848	$ 2,093	$ (3,713)	$ 47,228	$ 4,633	$ 42,595

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 35,972	$ 25,808	$ (23,297)	$ 38,483	$ 887	$ 37,596
Oregon Department of Energy Loans (SELP)	2,255	-	(153)	2,102	150	1,952
Small Business Administration Loan	-	279	-	279	-	279
Leases	-	2,273	(631)	1,642	614	1,028
Installment Purchase	187	-	(94)	93	93	-
Total Long-Term Debt	38,414	28,360	(24,175)	42,599	1,744	40,855
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	2,967	-	(370)	2,597	341	2,256
Compensated Absences	2,139	1,043	(462)	2,720	2,477	243
Early Retirement Liability	1,082	36	(186)	932	210	722
Total Other Noncurrent Liabilities	6,188	1,079	(1,018)	6,249	3,028	3,221
Total Long-Term Liabilities	$ 44,602	$ 29,439	$ (25,193)	$ 48,848	$ 4,772	$ 44,076

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

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

For the Year Ending June 30,	Contracts Payable	SELP	Leases	Total Payments	Principal	Interest
2023	$ 1,827	$ 231	$ 680	$ 2,738	$ 1,672	$ 1,066
2024	2,740	231	451	3,422	2,404	1,018
2025	2,857	231	315	3,403	2,439	964
2026	3,031	231	163	3,425	2,518	907
2027	3,073	231	66	3,370	2,520	850
2028-2032	14,377	1,092	398	15,867	12,306	3,561
2033-2037	10,059	162	242	10,463	8,582	1,881
2038-2042	6,132	-	-	6,132	5,280	852
2043-2047	3,929	-	-	3,929	3,740	189
					$ 41,461	$ 11,288
Total Future Debt Service	**48,025**	**2,409**	**2,315**	**52,749**		
Less: Interest Component of Future Payments	(10,429)	(455)	(404)	(11,288)		
Principal Portion of Future Payments	**$ 37,596**	**$ 1,954**	**$ 1,911**	**$ 41,461**		

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

A. Contracts Payable

SOU has entered into loan agreements with the State for repayment of XI-F(1) bonds issued by the State on behalf of SOU for capital construction and refunding of previously issued debt. SOU makes loan payments (principal and interest) to the State in accordance with the loan agreements. In the event of default, the State may withhold further disbursements of state general fund appropriations up to the amount of the default. Loans, with coupon rates ranging from 0.12 percent to 5.00 percent, are due serially through 2046.

During the fiscal year ended June 30, 2022, the State did not issue any bonds which resulted in either an increase or decrease to SOU's contracts payable to the State. Changes to the contracts payable include debt service payments for principal and accreted interest of $887.

During the fiscal year ended June 30, 2021, the State issued $680 of Series 2020N XI-F(1) Tax Exempt bonds and $13,750 of Series 2020O XI-F(1) Taxable bonds on behalf of SOU for the refunding of previously held debt. The bonds have an effective rate of 1.94 percent, and are due serially through 2044. The refunding of previously held debt will ultimately save the University $2,792 over the next 24 years. Savings were front loaded by the State in order to assist the University with cash flow and liquidity during uncertain times in light of the Coronavirus pandemic. The State also issued $300 of Series 2021H XI-F(1) Tax Exempt bonds and $11,075 of Series 2021I XI-F(1) Taxable bonds on behalf of SOU for the refunding of previously held debt. The bonds have an effective rate of 1.94 percent, and are due serially through 2046. The refunding of previously held debt resulted in a net increase of $3,747 in contracts payable. Other changes to SOU's contracts payable to the State include debt service payments for principal and accreted interest of $1,239 and the addition of $3 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. Oregon Department of Energy Loans (SELP)

SOU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at SOU. SOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. Upon event of default, the lender may accelerate the due date and declare the balance due immediately. The projects funded by the loan serve as security for the debt. SELP loans, with interest rates ranging from 3.56 percent to 4.40 percent, are due through 2034.

C. Small Business Administration Loan

SOU had entered in to a loan agreement with the Small Business Administration (SBA) through the CARES Act Paycheck Protection Program. This loan had a fixed annual interest rate of 1.00 percent, with payments due through 2026. SOU applied for loan forgiveness through the SBA. The loan was forgiven in fiscal year 2022.

D. Installment Purchases

SOU had an installment purchase agreement with the Bonneville Environmental Foundation for the Watershed Project. This agreement had no interest and was fully paid as of June 30, 2022.

E. 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 essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all public universities, state proprietary funds and the government-wide reporting fund in the State Annual Comprehensive Financial Report. Interest expense was paid by SOU in the amount of $278 and $215 for June 30, 2022 and 2021, respectively. Principal payments of $270 and $370 were applied to the liability for June 30, 2022 and 2021, respectively.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

F. Early Retirement Liability

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee's retirement date. As of June 30, 2022, 21 retirees are participating in the health and dental benefits option of this plan and a $868 liability will be paid out through fiscal year 2028. As of June 30, 2021, 26 retirees are participating in the health and dental benefits option of this plan and a $932 liability will be paid out through fiscal year 2029.

10. UNRESTRICTED NET POSITION

Unrestricted Net Position was comprised of the following:

	June 30, 2022	June 30, 2021
University Operations	**$ 24,021**	$ 23,555
Compensated Absences Liability (Note 9)	**(2,502)**	(2,702)
Other Post-Employment Benefits Liability (Note 15)	**(1,204)**	(1,596)
State and Local Government Rate Pool (Note 9)	**(2,327)**	(2,597)
Net Pension Liability (Note 14)	**(19,313)**	(41,733)
Pension & OPEB Related Deferred Outflows (Note 6)	**11,330**	13,463
Pension & OPEB Related Deferred Inflows (Note 6)	**(22,356)**	(4,043)
Total Unrestricted Net Position	**$ (12,351)**	$ (15,653)

11. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2022	June 30, 2021
Investment Earnings	**$ 352**	$ 280
Interest Income	**2**	250
Endowment Income	**100**	93
Net Appreciation (Depreciation) of Investments	**(1,425)**	583
Other	**(1)**	(1)
Gain (Loss) on Sale of Investment	**(349)**	109
Total Investment Activity	**$ (1,321)**	$ 1,314

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

12. OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

The reporting of the net pension liability as per GASB Statement Nos. 68 and 71 as well as that of the OPEB liability per GASB Statement No. 75, significantly affects the recorded compensation and benefit expenses of SOU. Changes in the pension and OPEB expenses and their associated reporting requirements decreased the reported compensation and benefit expenses of SOU by $3,220 for the fiscal year ended June 30,2022 and increased them by $5,578 for the fiscal year ended June 30, 2021.

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

June 30, 2022	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 28,512	$ 4,418	$ 98	$ -	$ -	$ 33,028
Research	358	112	5	-	-	475
Public Services	2,336	1,045	-	66	-	3,447
Academic Support	5,237	2,904	-	360	-	8,501
Student Services	4,852	849	-	-	-	5,701
Auxiliary Services	6,788	4,726	23	1,530	-	13,067
Institutional Support	9,001	3,240	-	-	-	12,241
Operation & Maintenance	4,028	1,667	-	1	-	5,696
Student Aid	-	(2)	8,843	-	26	8,867
Other	129	380	-	3,471	-	3,980
Total	$ 61,241	$ 19,339	$ 8,969	$ 5,428	$ 26	$ 95,003

June 30, 2021	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 30,365	$ 3,068	$ 122	$ -	$ -	$ 33,555
Research	411	106	62	-	-	579
Public Services	2,323	1,037	-	40	-	3,400
Academic Support	5,326	2,889	-	332	-	8,547
Student Services	4,615	775	12	-	-	5,402
Auxiliary Services	5,932	3,510	22	1,680	-	11,144
Institutional Support	8,884	2,809	-	-	-	11,693
Operation & Maintenance	3,676	1,340	-	1	-	5,017
Student Aid	-	-	6,810	-	-	6,810
Other	(4)	4,162	-	3,361	-	7,519
Total	$ 61,528	$ 19,696	$ 7,028	$ 5,414	$ -	$ 93,666

13. GOVERNMENT APPROPRIATIONS

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

	June 30, 2022	June 30, 2021
General Fund - Operations	$ 26,041	$ 23,758
General Fund - SELP Debt Service	179	179
Lottery Funding	1,429	1,373
Total Appropriations	$ 27,649	$ 25,310

14. EMPLOYEE RETIREMENT PLANS

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

A. Public Employees Retirement System (PERS)

Organization

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

Plan Membership

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

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

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

Pension Plan Report

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

Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

Proportionate Share Allocation Methodology for the Plan

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

Collective Pension Plan Liability

The components of the Plan's collective net pension liability as of the measurement dates of June 30, 2021 and 2020 are as follows (dollars in millions):

	June 30, 2021	June 30, 2020
Total Pension Liability	$ 96,298	$ 90,143
Plan Fiduciary Net Position	84,331	68,319
Collective Net Pension Liability	$ 11,967	$ 21,824

The Plan's fiduciary net position has been determined on the same basis used by the pension plan.

Changes Subsequent to the Measurement Date

The University is unaware of any changes made subsequent to the measurement date of June 30, 2021.

Oregon PERS Pension (Chapter 238) Program

Pension Benefits

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes after Retirement

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

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

Oregon Public Service Retirement Plan (OPSRP DB) Pension Program

Pension Benefits

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

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

Oregon Public Service Retirement Plan (OPSRP IAP) Pension Program

Benefit Terms

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 401(a).

Upon retirement, a member of the 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. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a $200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

Death Benefits

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 account 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.

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Pension Plan Contributions

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Effective January 1, 2020, Senate Bill 1049 requires employers to pay contributions on re-employed PERS retirees' salaries as if they were active members, excluding IAP (6 percent) contributions.

Employer contribution rates for the fiscal year ended June 30, 2022 were based on the December 31, 2019 valuation, while the rates for the fiscal year ended June 30, 2021 were based on the December 31, 2017 actuarial valuation. The employer contribution rates for the PERS and OPSRP are as follows:

	2022	2021
Base PERS Tier One/Two Rate	**19.51%**	19.05%
SLGRP Rate	**1.52%**	1.71%
RHIA/RHIPA OPEB Rate	**0.33%**	0.45%
Total PERS Tier One/Two Rate	**21.36%**	21.21%
Base OPSRP Rate	**15.60%**	12.77%
SLGRP Rate	**1.52%**	1.71%
RHIA/RHIPA OPEB Rate	**0.17%**	0.27%
Total OPSRP Rate	**17.29%**	14.75%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2022 and June 30, 2021 were $4,861 and $3,916, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability. See "Note 9.D. State and Local Government Rate Pool" for additional information.

Net Pension Liability

At June 30, 2022, the University reported a liability of $19,313 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, the University reported a liability of $41,733 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies, which includes all state agencies. The State of Oregon Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2022, SOU's proportion was 0.16 percent of the statewide pension plan. At June 30, 2021, SOU's proportion was 0.19 percent of the statewide pension plan.

For the years ended June 30, 2022 and 2021, SOU recorded total pension expense of $1,349 and $8,831, respectively, due to the increase in net pension liability and changes to deferred inflows and deferred outflows.

Deferred Items

Certain deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For fiscal years ending June 30, 2022 and 2021, deferred items include:

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

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

Measurement period ended June 30, 2021 – 5.4 years
Measurement period ended June 30, 2020 – 5.3 years
Measurement period ended June 30, 2019 – 5.2 years
Measurement period ended June 30, 2018 – 5.2 years
Measurement period ended June 30, 2017 – 5.3 years

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

One year of amortization is recognized in the University's total pension expense for fiscal years 2022 and 2021.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,808	$ -
Changes in assumptions	4,835	51
Net difference between projected and actual earnings on pension plan investments	-	14,297
Changes in proportion and differences between System's contributions and proportionate share of contributions	199	6,785
Total	**$ 6,842**	**$ 21,133**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(14,291)	
Contributions Subsequent to the MD	4,252	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ (10,039)**	

Of the amount reported as deferred outflows of resources, $4,252 are related to pensions resulting from SOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

As of June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2023	$ (3,045)
2024	(3,261)
2025	(3,468)
2026	(4,555)
2027	38
	$ (14,291)

At June 30, 2021, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,837	$ -
Changes in assumptions	2,240	78
Net difference between projected and actual earnings on pension plan investments	4,907	-
Changes in proportion and differences between System's contributions and proportionate share of contributions	851	3,530
Total	$ 9,835	$ 3,608
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	6,227	
Contributions Subsequent to the MD	3,250	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 9,477	

Of the amount reported as deferred outflows of resources, $3,250 are related to pensions resulting from SOU contributions subsequent to the measurement date and were recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Actuarial Methods and Assumptions

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

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

Actuarial Methods:		
As of:	**June 30, 2022**	June 30, 2021
Valuation Date	December 31, 2019	December 31, 2018
Measurement Date	June 30, 2021	June 30, 2020
Experience Study Report	2018, published July 2019	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.40 percent	2.50 percent
Long-Term Expected Rate of Return	6.90 percent	7.20 percent
Discount Rate	6.90 percent	7.20 percent
Projected Salary Increases	3.40 percent	3.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service	
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. *Active members:* Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. *Disabled retirees:* Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 and 2021 was 6.90 and 7.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following tables present SOU's proportionate share of the net pension liability calculated using the applicable discount rates as of June 30, 2022 and 2021 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:

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

As of:	June 30, 2022	June 30, 2021
1 % Decrease 5.90%/6.20%	$ 37,927	$ 61,970
Current Discount Rate 6.90%/7.20%	19,313	41,733
1 % Increase 7.90%/8.20%	3,741	24,763

Depletion Date Projection

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

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

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

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

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	27.50	37.50	32.50
Private Equity	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternatives Portfolio	7.50	17.50	15.00
Opportunity Portfolio	0.00	5.00	0.00
Risk Parity	0.00	2.50	2.50
Total			100.00 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation.

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

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limmited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Funds of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	-2.50	1.76
Assumed Inflation – Mean		2.40%

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

BOND DEBT

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted periodically over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal years 2022 and 2021 was 5.60 percent. Payroll assessments for the fiscal years ended June 30, 2022 and 2021 were $1,462 and $1,296, respectively.

B. OTHER RETIREMENT PLANS

Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation that authorized SOU to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to University academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of two investment companies, either Fidelity or the Teacher's Insurance Annuity Association (TIAA).

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service.

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

The employer contribution rates for the ORP are as follows:

	2022	2021
Tier One/Two	**26.30%**	27.20%
Tier Three	**9.63%**	9.85%
Tier Four	**8.00%**	8.00%

Summary of Defined Contribution Pension Payments

SOU total payroll for the year ended June 30, 2022 was $34,187, of which $13,790 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

	June 30, 2022			
	Employer Contribution	**As a % of Covered Payroll**	**Employee Contribution**	**As a % of Covered Payroll**
ORP	**$ 944**	**6.85%**	**$ 667**	**4.84%**

Of the employee share, SOU paid $579 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2022.

SOU total payroll for the year ended June 30, 2021 was $34,101, of which $10,446 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

	June 30, 2021			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,041	9.97%	$ 563	5.39%

Of the employee share, SOU paid $479 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2021.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Public Employees Retirement System (PERS)

Plan Descriptions

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

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

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

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

OPEB Plans Report

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

Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

Proportionate Share Allocation Methodology

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

OPEB Plan (Asset)/Liability

The components of the PERS Net OPEB liability (asset) for the OPEB plans as of the measurement date of June 30, 2021 and June 30, 2020, respectively, are as follows (in millions):

Net OPEB - RHIA (Asset)	**June 30, 2021**	June 30, 2020
Total OPEB - RHIA Liability	$ 409.5	$ 406.9
Plan Fiduciary Net Position	752.9	610.7
Employer's Net OPEB - RHIA (Asset)	**$ (343.4)**	$ (203.8)

Net OPEB - RHIPA Liability/(Asset)	**June 30, 2021**	June 30, 2020
Total OPEB - RHIPA Liability	$ 62.9	$ 64.3
Plan Fiduciary Net Position	78.4	54.3
Employer's Net OPEB - RHIPA Liability/(Asset)	**$ (15.5)**	$ 10.0

The Plan's fiduciary net position has been determined on the same basis used by the pension plan.

Changes Subsequent to the Measurement Date

The University is not aware of any changes to the benefit terms subsequent to the June 30, 2021 measurement date.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	27.50	37.50	32.50
Private Equity	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternative Investments	7.50	17.50	15.00
Opportunity Portfolio	0.00	5.00	0.00
Risk Parity	0.00	2.50	2.50

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limmited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Funds of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	-2.50	1.76
Assumed Inflation – Mean		2.40%

Depletion Date Projection

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

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

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

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

i. RHIA

Contributions

The RHIA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2022 and June 30, 2021, the University contributed 0.05 and 0.06 percent, respectively, of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. The required employer contribution was approximately $4 for the year ended June 30, 2022 and $5 for the year ended June 30, 2021. The actual contribution equaled the annual required contribution for both fiscal years.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Net OPEB Asset

At June 30, 2022, the University reported an asset of $913 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, the University reported an asset of $161 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. The state Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2022 and June 30, 2021, respectively, SOU's proportion was 0.27 and 0.08 percent of the statewide OPEB plan.

For the years ended June 30, 2022 and June 30, 2021, SOU recorded total OPEB expense of ($197) and $66, respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement periods ended June 30, 2021 and 2020, there were:

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

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

Measurement period ended June 30, 2021 – 2.7 years
Measurement period ended June 30, 2020 – 2.9 years
Measurement period ended June 30, 2019 – 3.1 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 2022 and 2021.

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25
Changes in assumptions	18	14
Net difference between projected and actual earnings on pension plan investments	-	217
Change in proportionate share	84	230
Difference between contributions and proportionate share of contributions	-	2
Total	**$ 102**	**$ 488**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(386)	
Contributions Subsequent to the MD	4	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ (382)**	

Of the amount reported as deferred outflows of resources, $4 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, 2023.

As of June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2023	$ (129)
2024	(139)
2025	(50)
2026	(68)
	$ (386)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

At June 30, 2021, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 16
Changes in assumptions	-	9
Net difference between projected and actual earnings on pension plan investments	18	-
Change in proportionate share	177	5
Difference between contributions and proportionate share of contributions	1	2
Total	$ 196	$ 32
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	164	
Contributions Subsequent to the MD	5	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 169	

Of the amount reported as deferred outflows of resources, $5 were related to contributions subsequent to the measurement date and were recognized as an increase of the net OPEB asset in the year ended June 30, 2022.

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions:		
	RHIA	
Fiscal Year	**June 30, 2022**	June 30, 2021
Valuation Date	December 31, 2019	December 31, 2018
Measurement Date	June 30, 2021	June 30, 2020
Experience Study Report	2018, published July 2019	
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	2.50 percent
Long-Term Expected Rate of Return	6.90 percent	7.20 percent
Discount Rate	6.90 percent	7.20 percent
Projected Salary Increases	3.40 percent	3.50 percent
Retiree Healthcare Participation	Healthy retirees: 32%; Disabled retirees: 20%	
Healthcare Cost Trend Rate	Not applicable	
Mortality	*Healthy retirees and beneficiaries:*	
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	
	Active members:	
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	
	Disabled retirees:	
	Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2022 and June 30, 2021 was 6.90 and 7.20 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.

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

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

Discount Rate	June 30, 2022	June 30, 2021
1% Decrease 5.90%/6.20%	$ (808)	$ (130)
Current Discount Rate 6.90%/7.20%	(913)	(161)
1% Increase 7.90%/8.20%	(1,004)	(188)

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

Health Care Cost Rate	June 30, 2022	June 30, 2021
1% Decrease	$ (913)	$ (161)
Current Trend Rate	(913)	(161)
1% Increase	(913)	(161)

ii. RHIPA

Contributions
The RHIPA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2022 and June 30, 2021, the University contributed 0.11 and 0.12 percent, respectively, of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the University contributed 0.17 and 0.27 percent, respectively, for the fiscal years ended June 30, 2022 and 2021 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 $58 for the year ended June 30, 2022 and $76 for the year ended June 30, 2021. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset/Liability
At June 30, 2022, the University reported an asset of $103 for its proportionate share of the RHIPA net OPEB asset. The net OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, the University reported a liability of $72 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. DAS calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2022 and June 30, 2021, SOU's proportion was 0.66 percent and 0.72 percent, respectively, of the statewide OPEB plan.

For the year ended June 30, 2022 and June 30, 2021, respectively, SOU recorded total OPEB expense of ($13) and $18 due to the increase in the net RHIPA OPEB liability, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items
Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement period ended June 30, 2022, there were:

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

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

Measurement period ended June 30, 2021 – 6.2 years
Measurement period ended June 30, 2020 – 6.4 years
Measurement period ended June 30, 2019 – 6.7 years
Measurement period ended June 30, 2018 – 6.9 years
Measurement period ended June 30, 2017 – 7.2 years

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

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2022 and 2021.

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At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 45
Changes in assumptions	7	36
Net difference between projected and actual earnings on pension plan investments	-	52
Change in proportionate share	23	28
Difference between contributions and proportionate share of contributions	1	2
Total	$ 31	$ 163
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(132)	
Contributions Subsequent to the MD	58	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ (74)	

Of the amount reported as deferred outflows of resources, $58 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, 2023.

As of June 30, 2022, 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:	Deferred Outflow/(Inflow) of Resources
2023	$ (25)
2024	(25)
2025	(33)
2026	(36)
2027	(11)
Thereafter	(2)
	$ (132)

At June 30, 2021, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 27
Changes in assumptions	2	49
Net difference between projected and actual earnings on pension plan investments	17	-
Change in proportionate share	33	23
Difference between contributions and proportionate share of contributions	2	1
Total	$ 54	$ 100
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(46)	
Contributions Subsequent to the MD	76	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 30	

Of the amount reported as deferred outflows of resources, $76 are related to contributions subsequent to the measurement date and were recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions:		
	RHIPA	
	June 30, 2022	June 30, 2021
Valuation Date	December 31, 2019	December 31, 2018
Measurement Date	June 30, 2021	June 30, 2020
Experience Study Report	2018, published July 2019	
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	2.50 percent
Long-Term Expected Rate of Return	6.90 percent	7.20 percent
Discount Rate	6.90 percent	7.20 percent
Projected Salary Increases	3.40 percent	3.50 percent
Retiree Healthcare Participation	8-14 Years of Service: 10% 15-19 Years of Servie: 15% 20-24 Years of Service: 19% 25-29 Years of Service: 26% 30+ Years of Service: 34%	
Healthcare Cost Trend Rate	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 4.9% for 2025, increasing to 5.0% for 2036, and decreasing to an ultimate rate of 4.0% for 2074 and beyond.	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 5.0% for 2022, increasing to 5.9% for 2031, and decreasing to an ultimate rate of 4.1% for 2094 and beyond.
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Active members:* Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Disabled retirees:* Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2022 and June 30, 2021 was 6.90 and 7.20 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

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OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Discount Rate	June 30,2022	June 30,2021
1% Decrease 5.90%/6.20%	$ (77)	$ 101
Current Discount Rate 6.90%/7.20%	(103)	72
1% Increase 7.90%/8.20%	(127)	45

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

Health Care Cost Rate	June 30, 2022	June 30, 2021
1% Decrease	$ (137)	$ 51
Current Trend Rate	(103)	72
1% Increase	(64)	99

B. Public Employees' Benefit Board (PEBB)

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

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that 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, 2022, the University reported a liability of $1,204 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2022 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021. At June 30, 2021, the University reported a liability of $1,524 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2021 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. PEBB does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PEBB participating employers. DAS calculated SOU's proportionate share of all participating employers internally based on actual contributions by SOU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2022, SOU's proportion was 0.98 percent of participating employers, while at June 30, 2021, SOU's proportion was 1.01 percent.

For the years ended June 30, 2022 and June 30, 2021, SOU recorded total OPEB expense of $49 and $96, respectively, due to the increase in the total PEBB OPEB liability, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items
Deferred inflows of resources and deferred outflows of resources are either calculated at the system-wide level, and allocated to employers based on their proportionate share. For the measurement period ended June 30, 2022, there were:

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

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of each measurement periods are as follows:

Measurement period ended June 30, 2022 – 7.8 years
Measurement period ended June 30, 2021 – 8.6 years
Measurement period ended June 30, 2020 – 8.6 years

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Measurement period ended June 30, 2019 – 8.2 years
Measurement period ended June 30, 2018 – 8.2 years

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2022 and 2021.

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 150
Changes in assumptions	29	283
Changes in proportionate share	4	139
Differences between contributions and proportionate share of contributions	8	-
Total	$ 41	$ 572
Net Deferred Outflow/(Inflow) of Resources	$ (531)	

As of June 30, 2022, amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflow/(Inflow) of Resources
2023	(87)
2024	(87)
2025	(87)
2026	(82)
2027	(79)
Thereafter	(109)
	$ (531)

At June 30, 2021, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6
Changes in assumptions	36	187
Change in proportionate share	5	110
Difference between contributions and proportionate share of contributions	6	-
Total	$ 47	$ 303
Net Deferred Outflow/(Inflow) of Resources	$ (256)	

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions:		
Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	July 1, 2021	July 1, 2019
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.00 percent	2.50 percent
Discount Rate	3.54 percent	2.16 percent
Projected Salary Increases	3.00 percent	3.50 percent
Withdrawal, retirement, and mortality rates	December 31, 2019 Oregon PERS valuation	December 31, 2018 Oregon PERS valuation
Healthcare Cost Trend Rate	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.40% per year.	
Election and lapse rates	30% of eligible employees	
	60% spouse coverage for males, 35% for females	
	7% annual lapse rate	

Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rate in effect for the June 30, 2022 and 2021 reporting date is 3.54 and 2.16 percent, respectively.

Sensitivity Analysis

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

Discount Rate	June 30, 2022	June 30, 2021
1% Decrease 1.16%	$ 1,291	$ 1,634
Current Discount Rate 2.16%	1,204	1,524
1% Increase 3.16%	1,123	1,421

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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, 2022	June 30, 2021
1% Decrease	$ 1,070	$ 1,371
Current Trend Rate	1,204	1,524
1% Increase	1,362	1,704

16. RISK FINANCING

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

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

SOU is self insured (retains risk) for losses under $5k, which is the deductible per claim not covered by insurance purchased through the Trust.

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

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned, but not initiated, construction projects totaled approximately $12,794 and $8,908 at June 30, 2022 and 2021, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other SOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2022.

Construction Commitments as of June 30, 2022

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	$ 11,067	$ 3,871	$ 7,196
Central Hall	6,000	484	5,516
Athletic Beach Volleyball Court	191	109	82
	$ 17,258	$ 4,464	$ 12,794

SOU is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. SOU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to SOU cannot be reasonably determined at June 30, 2022.

18. SUBSEQUENT EVENTS

The University has embarked on the process of replacing their Enterprise Resource Planning (ERP) software. The implementation of the new ERP system, Workday, will be a three year process. As of August 18, 2022, SOU has entered into two financing agreements with First American Equipment Finance, a subsidiary of City National Bank, in order to pay for the implementation costs as well as the Workday operations costs for the first three years. The operations costs for the first three years will be financed in the amount of $2,523 with an interest rate of 4.49 percent and payments due through 2032. The implementation costs will vary and be financed accordingly, with an interest rate of 3.49 percent and payments due through 2032.

19. UNIVERSITY FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of SOU. The SOU Foundation (Foundation) is a legally separate, tax-exempt entity with an independent governing board. Although SOU does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of SOU and is discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2022 and 2021.

During the years ended June 30, 2022 and 2021, gifts of $3,001 and $2,346, respectively, were transferred from the Foundation to SOU. The Foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the SOU component unit on pages 30-31 of this document.

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

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 4,252	$ 3,250	$ 3,745	$ 2,809	$ 2,792	$ 2,006	$ 1,988	$ 1,587	$ 1,705	$ 1,671
Contributions in relation to the contractually required contribution	4,252	3,250	3,745	2,809	2,792	2,006	1,988	1,587	1,705	1,671
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SOU's covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980	$ 23,029
Contributions as a percentage of covered payroll	14.8%	13.1%	14.2%	10.6%	10.9%	8.1%	8.4%	7.1%	7.4%	7.3%

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

As of the Measurement Date June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
SOU's proportion of the net pension asset / (liability)	0.16%	0.19%	0.20%	0.22%	0.22%	0.18%	0.20%	0.21%	0.21%
SOU's proportionate share of the net pension asset/ (liability)	$ (19,313)	$ (41,733)	$ (34,506)	$ (32,662)	$ (30,120)	$ (27,369)	$ (11,423)	$ 4,707	$ (10,597)
SOU's covered payroll	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980	$ 23,029
SOU's proportionate share of the net pension asset/ (liability) as a percentage of its covered payroll	77.73%	158.33%	130.33%	127.41%	121.18%	115.95%	50.83%	20.48%	46.02%
Plan fiduciary net postion as a percentage of the total pension asset/ (liability)	87.57%	75.79%	80.23%	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

Changes in Benefit Terms and Assumptions

Benefit Terms: The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was changed to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, while the assumed inflation rate was lowered to 2.40 percent and the projected salary increases were lowered to 3.40 percent.

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

As of June 30,	2022	2021	2020	2019	2018	2017
SOU's allocation of the total OPEB liability	0.98%	1.01%	1.05%	1.05%	1.09%	1.10%
SOU's proportionate share of the total OPEB liability	$ 1,204	$ 1,524	$ 1,539	$ 1,685	$ 1,618	$ 1,593
SOU's covered payroll	33,858	30,074	34,326	33,666	33,266	32,056
SOU's proportionate share of the total OPEB liability as a percentage of its covered payroll	3.56%	5.07%	4.48%	5.01%	4.86%	4.97%
Total OPEB Liability as a % of Total Covered Payroll	2.76%	3.72%	3.77%	4.31%	4.42%	4.45%

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contributions[1]	$ 4	$ 5	$ 6	$ 121	$ 117	$ 121	$ 115	$ 122	$ 126	$ 125
Contributions in relation to the actuarially determined contributions	4	5	6	121	117	121	115	122	126	125
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987	$ 22,535
Contributions as a percentage of covered payroll	0.01%	0.02%	0.02%	0.46%	0.46%	0.49%	0.49%	0.54%	0.55%	0.55%

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

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

As of the Measurement Date of June 30,	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.27%	0.08%	0.25%	0.24%	0.25%	0.20%
SOU's proportionate share of the net OPEB liability/(asset)	$ (913)	$ (161)	$ (488)	$ (263)	$ (105)	$ 54
SOU's covered payroll	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	3.67%	0.61%	1.84%	1.03%	0.42%	0.23%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	183.86%	150.09%	144.38%	123.99%	108.88%	94.15%

Changes in Benefit Terms and Assumptions

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups. For the June 30, 2021 measurement date, the assumed inflation rate was lowered to 2.40 percent, the long-term, expected rate of return was lowered to 6.90 percent, and the projected salary increases were lowered to 3.40 percent.

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contributions[1]	$ 58	$ 76	$ 82	$ 111	$ 109	$ 97	$ 93	$ 53	$ 55	$ 32
Contributions in relation to the actuarially determined contributions	58	76	82	111	109	97	93	53	55	32
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987	$ 22,535
Contributions as a percentage of covered payroll	0.20%	0.31%	0.31%	0.42%	0.43%	0.39%	0.39%	0.24%	0.24%	0.14%

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

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

As of the Measurement Date June 30,	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.66%	0.72%	0.81%	0.81%	0.82%	0.68%
SOU's proportionate share of the net OPEB liability/(asset)	$ (103)	$ 72	$ 205	$ 285	$ 381	$ 365
SOU's covered payroll	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	-0.41%	0.27%	0.77%	1.11%	1.53%	1.55%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	124.64%	84.45%	64.86%	49.79%	34.25%	21.87%

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

Changes in Benefit Terms and Assumptions

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, the healthy healthcare participation and cost trend rates, and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups. For the June 30, 2021 measurement date, the assumed inflation rate was lowered to 2.40 percent, the long-term, expected rate of return was lowered to 6.90 percent, and the projected salary increases were lowered to 3.40 percent. In addition, the healthcare cost trend rates were changed to reflect updated trends.

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

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

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