Southern OREGON UNIVERSITY

2021 ANNUAL

FINANCIAL REPORT

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Southern Oregon University Board of Trustees

Southern Oregon University Executive Officers

The 2020-21 fiscal year – my fifth since becoming president of Southern Oregon University – was highlighted by a rare confluence of operational and financial challenges resulting from a once-in-a-century pandemic, but also by opportunities to adjust and reset our trajectory into the future.

The most recent academic year brought a year-over-year enrollment drop resulting from a pre-existing nationwide decline in the number of traditional college-age students, compounded by the extreme uncertainty of the COVID-19 pandemic. Our student headcount declined by just six-tenths of a percent from the end of spring term 2020 to the end of spring term 2021, but enrollment as measured by full-time equivalent students was down by almost 8 percent over the same period.

That enrollment drop, combined with a continuing trend of operational costs outpacing revenue growth, resulted in what would have been a roughly $3.2 million deficit in our operating budget, measured from just prior to the pandemic until the end of FY2020-21. However, institutional aid from state and federal pandemic relief acts since 2020, totaling more than $12.45 million, has enabled SOU to head toward its post-pandemic phase on relatively solid financial footing. In fact, the university's Budgeted Operations fund balance increased from $5.08 million (7.92 percent) to $8.89 million (14.55 percent) during the course of FY2020-21.

The COVID-19 pandemic has dictated much of SOU's operational direction and pace over the past year and a half. We have responded appropriately, prioritizing the health and safety of students, employees and community members as most services and academic programs – including more than 900 courses – shifted to remote or hybrid formats. Those fundamental changes were possible only through the innovative and even heroic efforts of our course designers, technical experts, faculty and staff members.

Much of that energy has been applied to SOU operations in ways that will continue to attract and serve students, and prepare the university for a changing future. For instance, more than a dozen of our classrooms will be set up for hybrid teaching platforms when we return to largely on-campus operations this fall. Our experience with remote delivery technology is being leveraged to make SOU more accessible, particularly to adult learners and working students.

Another example of our efforts to reposition the institution to serve a fundamentally changing student base is our imaginative implementation of certificate and micro-credential programs that provide an eclectic academic menu for both full-time and casual students. Our certificate options – ranging from cybersecurity to sound design – have quickly grown to a list of 20 programs. Our micro-credentials program, launched just this spring, gives students seeking specific skills the opportunity to earn digital badges with an average of 12 credit hours of coursework in 17 areas such as cinema production technology, social media strategy and values-based leadership.

SOU's classified employees, unclassified administrators and faculty members have all made economic sacrifices to help the university avoid layoffs during these challenging times, with many of them working reduced schedules for nearly a year and a half. We have left many positions open and are now re-examining the institution's needs and priorities as we consider refilling, changing or eliminating some of those jobs.

The pandemic will have long-term economic consequences and will require a close review of the Strategic Plan that we developed in 2017 to determine how SOU can best serve its students and the region, 10 or even 20 years from now. We will pivot and refocus as needed to provide the very best services that are possible within our means, maintaining the outstanding academic and student support programs that prepare our students for successful lives of purpose.

Cordially,

Linda Schott

Linda Schott

President, Southern Oregon University

Capital Projects Update

Britt Hall - $8M project

The Britt project included seismic upgrades; mechanical, electrical and plumbing systems replacement; ADA upgrades; and life-safety systems replacement in the 50,000 square foot, 3-story Britt Hall. The project also included tenant improvements at the ground floor OHSU School of Nursing. Construction began in March 2020 and is now about 95% complete. The building will be re-occupied in September 2021.

Taylor Hall Phases 2 & 3 - $1.2M project

Taylor Hall Phase 2 included complete renovation of (6) public toilet rooms, construction of a new All-Gender toilet room, and replacement of the main floor hallway finishes. Phase 3 included new finishes at the ground floor and second floor hallways, and new finishes and windows at the east and west stairwells. All phases were complete by March 2021.

Athletics Facilities Projects - $900,000 project

Two projects were completed with funds remaining from the Lithia Motors capital project. Stadium renovations included remodeling of approximately 3,000 square feet of existing space and a 700 square foot addition to the building. The renovated spaces house a new Athletics Weight Training Facility and a new Athletics Training and Sports Medicine Center. Both projects were completed by December 2020.

Solar PV System and the Campus Farm - $50,000 project

SOU has contracted with True South Solar to design and construct a 16 kW grid-tied photovoltaic system on an existing storage building at the Campus Farm. System design and permits are finished. Project completion is scheduled for October 2021.

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 building. A hazardous materials survey and the Phase 1 structural and geotechnical studies have been completed. Architectural and engineering design are scheduled to begin in the fall 2021. Construction is tentatively scheduled for 2022-2023.

Southern Oregon University

Philanthropic contributions totaled $3.72 million during FY 2020-21, exceeding expectations amid the ongoing global pandemic. This outpouring of gift support brings the three-year average to $3.6 million.

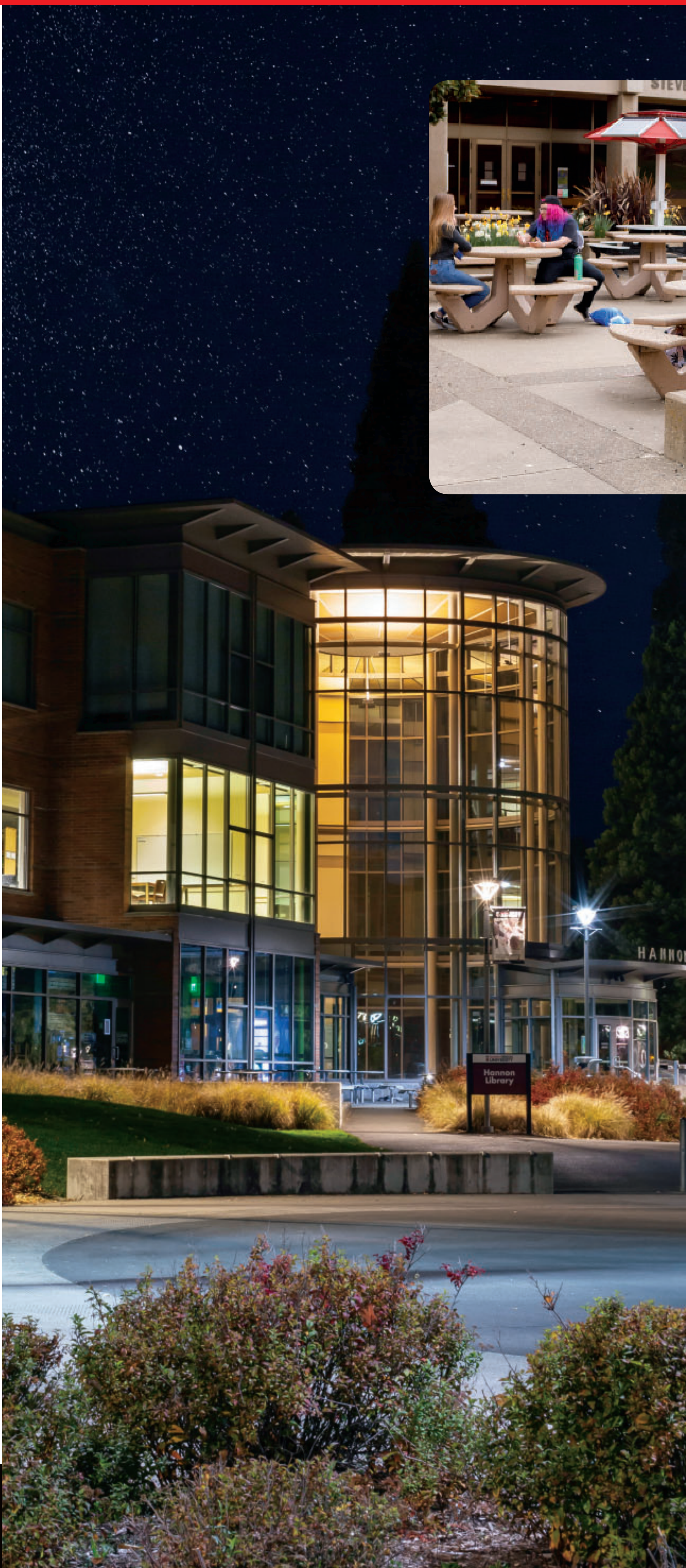
While the majority of gifts came from non-alumni who believe in the future of Southern Oregon University, there is a growing uptick in support from alumni. Support from foundations and corporations combined to contribute 40 percent of all gifts received.

Highlights of the year in philanthropy include:

- Donors contributed more than $1.4 million to support students through gifts to scholarship funds. Supporting students continues to be the number one 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 reached a record $38.3 million at the end of June 2021.
- The annual Lithia Golf Tournament to support athletic scholarships raised $380,000, despite being a virtual event. Since 2016, tournament participants have donated $2 million.
- Supporting the emergency needs of students impacted by COVID and the regional wildfires rose to an unprecedented level of support. Donors contributed more than $150,000 to support students whose needs ranged from mental health counseling to housing.
- 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.

2020-21 Top University Accomplishments

- SOU is addressing the pervasive 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.
- A digital and online version of the Creativity Conference at SOU – the third annual – drew a slate of 170 presenters, including 46 from outside the U.S. The conference attracted a total of about 250 presenters and participants - many of the world's top scholars, researchers and practitioners in the field of creativity.
- SOU expanded its selection of online advanced degrees in education by adding seven new concentrations or certificates to the three master of science in education options that were launched two years ago. The education programs are designed primarily for working adult learners.
- SOU is one of eight North American higher education institutions to be awarded grant funding in June 2021 from the Boston-based nonprofit Second Nature for innovative, cross-sector climate projects. A preference was given to those, such as SOU, that emphasize justice, equity and engagement with communities of color.
- SOU joined an academic movement that is transforming higher education when it added a total of 17 "micro-credentials" that are designed to recognize individual skillsets or competencies of both degree-seeking and non-degree-seeking students. Most of the new micro-credentials require about 12 credit hours of coursework, which can stand alone or count toward students' degree requirements.
- Medford legal aid attorney Debra Lee and Mimi Pieper, an SOU sophomore Honors College student, were appointed by Gov. Kate Brown and confirmed in May 2021 by the Oregon Senate to serve on the university's Board of Trustees; their terms began July 1, 2021. Lee succeeded Les AuCoin, who served on the board from its formation in 2015 until his resignation in January. Pieper succeeds Dylann Loverro, who served as the student member on the 15-member board beginning in November 2019.
- A book by SOU English professor Ed Battistella – "Dangerous Crooked Scoundrels: Insulting the President, from Washington to Trump" – was a finalist for a 2021 Oregon Book Award in the general nonfiction category. The book was published in 2020 by the Oxford University Press.
- Haleigh Wagman, a 2020 SOU graduate in biology, became a U.S. Army infantry officer in May 2021 – the first female from an ROTC program in Oregon to achieve that distinction.
- Tiffany Fung, a graduate piano student at the Oregon Center for the Arts at Southern Oregon University, won first prize in the 5th edition (2021) of the Best Rachmaninoff Performance contest – part of the London-based Great Composers Competition series for young performers.
- The SOU Laboratory of Anthropology (SOULA) was honored in April 2021 for partnering with the federal Bureau of Land Management's Ashland Field Office on an archaeological exploration of the Buck Rock Tunnel southeast of Ashland. The collaborative project received one of three nationwide Heritage Heroes awards for the year from the BLM.
- A team of four SOU computer science students won first place out of 62 teams in a statewide "hackathon" in April 2021 after developing and coding a game they called "Laughing Stock" over two days. The HackOR event, held on a combination of online platforms, drew a total of 600 contestants with teams from institutions including the University of Oregon and Oregon State University.
- SOU completed a new storage facility at Raider Stadium in February 2021 that addresses sustainability on two fronts – it includes the university's ninth array of solar panels, and the structure itself was created from recycled shipping containers. It is SOU's second net-positive building – the renewable energy it produces is greater than what it consumes – and will be used for storage of Athletic Department equipment and supplies.
- SOU, tribal partners and others received a $35,483 grant from the Oregon Cultural Trust in February 2021 to initiate the Indigenous Gardens Network – a hub for conversation and coordination around traditional food gathering areas throughout southwestern Oregon.
- SOU collaborated with the Humane Leadership Institute to create the Local Innovation Lab, which finds and trains student interns to tackle sticky issues faced by communities and businesses affected by southern Oregon's Almeda Fire and other disasters. About 30 SOU students from more than 10 degree programs received $1,000 stipends to participate as interns in the new program during the 2020-21 academic year, and double that number are expected for next year.



- Luis Berrios-Hayden – an SOU Environmental Science & Policy major, director of the Student Sustainability Center and McNair Scholar – received the Northwest Association of Educational Opportunity Program's Scholastic Achievement Award in November 2020. The $1,500 scholarship is given annually to students in the federal TRIO programs who exhibit outstanding scholastic achievement while overcoming barriers to educational success.
- Southern Oregon University was recognized for the eighth year in a row as one of the nation's Top 40 LGBTQ-Friendly Colleges and Universities by Campus Pride, a nonprofit that supports and improves campus life for LGBTQ people on more than 1,400 U.S. campuses.
- SOU's Konaway Nika Tillicum – a seven-day academic and cultural enrichment residential camp for Native American Youth – shifted to a virtual format for summer 2020, then was awarded a $50,000 grant from the Oregon Community Foundation to create a virtual offshoot program for Konaway students and their family members.
- The Veterans Resource Center at SOU was awarded a $68,254 grant from the Oregon Department of Veterans' Affairs in September 2020 to help improve outcomes for student veterans at the university.
- The TRIO-Student Support Services (SSS) program at SOU, which helps non-traditional students succeed and graduate, received a five-year, $1,627,990 federal grant renewal in August 2020 to keep the program in operation through 2026. The U.S. Department of Education grant will provide $325,598 per year in funding for SOU's Success at Southern/TRIO Program, which is limited to 190 students per academic year and has served more than 1,500 since 1994.
- SOU was recognized by the rankings website niche.com in July 2020 as one of "Eleven Schools That Did Online Learning Well This Spring." Universities that made the list were from all parts of the U.S., but SOU was the only one mentioned from the West Coast.

INDEPENDENT AUDITORS' REPORT

Members of the Board
Southern Oregon University
Ashland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the aggregate remaining fund information of Southern Oregon University (the University), a component unit of the state of Oregon, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Southern Oregon University Foundation (the Foundation), which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. In addition, we did not audit 95%, 82%, and 99%, and 97%, 94% and 98% for the years ended June 30, 2021, and 2020, respectively, of the assets, fiduciary net position, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit and the aggregate remaining fund information, is based on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, the University's discretely presented component unit, and the aggregate remaining fund information referred to above were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our 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 remaining fund information of the University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of the University's Contributions, the Schedule of the University's Proportionate Share of the Net Pension Asset/Liability, the Schedule of University's Proportionate Share of Total PEBB OPEB Liability, the Schedule of University PERS RHIA OPEB Employer Contributions, the Schedule of University's Proportionate Share of Net PERS RHIA OPEB Liability, the Schedule of University's PERS RHIPA OPEB Employer Contributions, and the Schedule of University's Proportionate Share of Net PERS RHIPA OPEB Liability, referred collectively as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Members of the Board
Southern Oregon University

The SOU Board of Trustees & Executive Officers and the Message from the President have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 30, 2021

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (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, 2021, 2020, and 2019. 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.

	2021	2020	2019	2018	2017
SOU	**3,650**	4,089	4,296	4,442	4,357

FINANCIAL POSITION SUMMARY

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.

In 2020, Net Position decreased due, in large part, to a decrease in Unrestricted Net Position mainly caused by adjustments for OPEB and Pension liabilities and their related deferrals required by GASB Statements 68 and 75.

STATEMENT OF NET POSITION

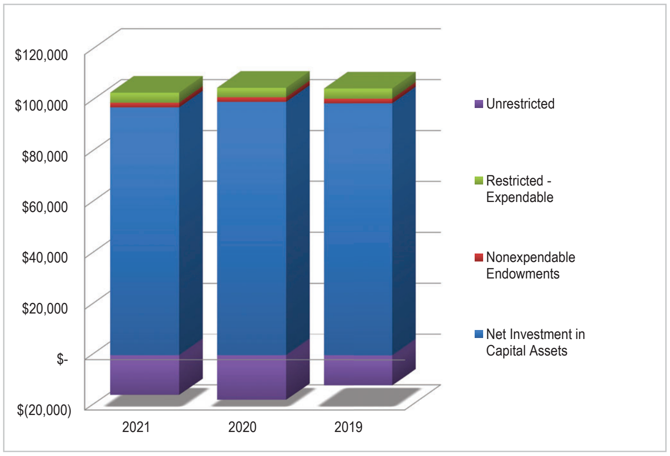
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of SOU's current financial condition. Changes in Net Position that occur over time indicate improvement or deterioration in 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,	**2021**	2020	2019
Current Assets	**$ 19,875**	$ 14,922	$ 14,800
Noncurrent Assets	**18,398**	16,218	20,564
Capital Assets, Net	**138,104**	137,723	138,853
Total Assets	**$ 176,377**	$ 168,863	$ 174,217
Deferred Outflows of Resources	**$ 13,463**	$ 12,021	$ 14,025
Current Liabilities	**$ 11,878**	$ 12,040	$ 14,259
Noncurrent Liabilities	**86,377**	76,947	77,739
Total Liabilities	**$ 98,255**	$ 88,987	$ 91,998
Deferred Inflows of Resources	**$ 4,043**	$ 4,429	$ 3,241
Net Investment in Capital Assets	**$ 97,448**	$ 99,610	$ 99,033
Restricted - Nonexpendable	**1,812**	1,812	1,812
Restricted - Expendable	**3,955**	3,703	4,000
Unrestricted	**(15,673)**	(17,657)	(11,842)
Total Net Position	**$ 87,542**	$ 87,468	$ 93,003

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2021, 2020, and 2019.



Comparison of fiscal year 2021 to fiscal year 2020

Net Investment in Capital Assets decreased $2,162 or 2%.

- Capital asset increases of $5,176 were mainly offset by a $4,773 increase to accumulated depreciation and asset retirements of $22. In addition, long term debt associated with capital assets increased $2,543. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 20.

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, almost entirely 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 $1,984 or 11% due in large part to an increase in net position due to operations of $7,428 as well as an increase in net position due to changes in deferrals related to pensions and OPEB. This was mainly offset by net pension expense of $5,580 during fiscal year 2021. See "Note 10. Unrestricted Net Position" for additional information.

Comparison of fiscal year 2020 to fiscal year 2019

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

- Capital asset increases of $3,856 were mainly offset by a $4,970 increase to accumulated depreciation and asset retirements of $16. In addition, long term debt associated with capital assets decreased $1,782. The debt liability is offset by both an accounts receivable in contracts payable to the State that have not yet been used to create an asset in 2019 and a prepaid expense in 2020 which was caused by unspent bond proceeds which will be used to pay a portion the long term liability in 2021, there was $74 less for these adjustments in 2020 than there was in 2019. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 20.

Restricted Expendable Net Position decreased $297 or 7%.

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

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

Total Assets and Deferred Outflows of Resources

Total Assets increased $7,514 or 4% and decreased $5,354 or 3% during the years ended June 30, 2021 and 2020, respectively. Deferred Outflows of Resources increased $1,442 or 12% and decreased $2,004 or 14% in the fiscal years ended June 30, 2021 and 2020, respectively.

Comparison of fiscal year 2021 to fiscal year 2020

Current Assets increased $4,953 or 33%.

- 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.
- 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 $2,561 or 2%.

- 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.

Net Capital Assets increased $381. Increases are due primarily to added construction in progress additions of $3,427 and other capitalized additions of $1,730. These additions were mainly offset by net changes to accumulated depreciation of $4,577. 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.

Comparison of fiscal year 2020 to fiscal year 2019

Current Assets increased $122 or 1%.

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

Noncurrent Assets decreased $4,346 or 21%.

- Noncurrent Cash increased $1,696 primarily due to a decrease in the amount of cash held in investments of $2,440. This was caused by a desire to increase liquidity to counteract anticipated losses caused by COVID-19 related changes. This increase in noncurrent cash was offset by a decrease in noncurrent cash held for future debt service payments.
- Investments decreased $6,746. The decrease is primarily due to less cash available for investment of $6,519 as well as a decrease in unrealized gain on investments during the year.
- The Net OPEB Asset increased $225. See "Note 15. Other Postemployment Benefits" for additional information.
- Noncurrent Notes Receivable increased $479 primarily due to an increase in noncurrent receivables due for institutional and other student loans. This increase was offset by a decrease in long term receivables from a third party, which committed to pay for a portion of SOU's debt service. See "Note 4. Notes Receivable" for additional information.

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

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

Total Liabilities and Deferred Inflows of Resources

Total Liabilities increased $9,268 or 10% during the year ended June 30, 2021. Total Liabilities decreased $3,011 or 3% during the year ended June 30, 2020. Deferred Inflows of Resources decreased $386 or 9% during the fiscal year ended June 30, 2021 and increased $1,188 or 37% during the fiscal year ended June 30, 2020.

Comparison of fiscal year 2021 to fiscal year 2020

Current Liabilities decreased $162 or 1%.

- 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 $253 due primarily to an increase in the current portion of the compensated absences liability, mainly offset by a decrease in the current portion of contracts payable to the State. See "Debt Administration" in this MD&A and "Note 9. Long Term Liabilities" for more information on these changes.
- Unearned revenue 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 $9,430 or 12%.

- 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 $2,351 due primarily to changes caused by the refunding of contracts payable to the State. For additional detail, see "Note 9. Long-Term Liabilities".

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

Deferred Inflows of Resources decreased $386 or 9%. The decrease to deferred inflows is attributable to changes in the Net Pension Liability, which decreased deferred inflows by $394, offset by changes in the OPEB Liability, which increased deferred inflows by $8. See "Note 14. Employee Retirement Plans" and "Note 15. Other Post Employment Benefits" for more information on these change.

Comparison of fiscal year 2020 to fiscal year 2019

Current Liabilities decreased $2,219 or 16%.

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

Noncurrent Liabilities decreased $792 or 1%.

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

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

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,	**2021**	2020	2019
Operating Revenues	**$ 44,149**	$ 50,933	$ 51,645
Operating Expenses	**93,681**	99,895	95,324
Operating Loss	**(49,532)**	(48,962)	(43,679)
Nonoperating Revenues, Net of Expenses	**40,951**	38,628	34,942
Other Revenues	**8,655**	4,799	3,610
Increase (Decrease) in Net Position	**74**	(5,535)	(5,127)
Net Position, Beginning of Year	**87,468**	93,003	98,130
Net Position, End of Year	**$ 87,542**	$ 87,468	$ 93,003

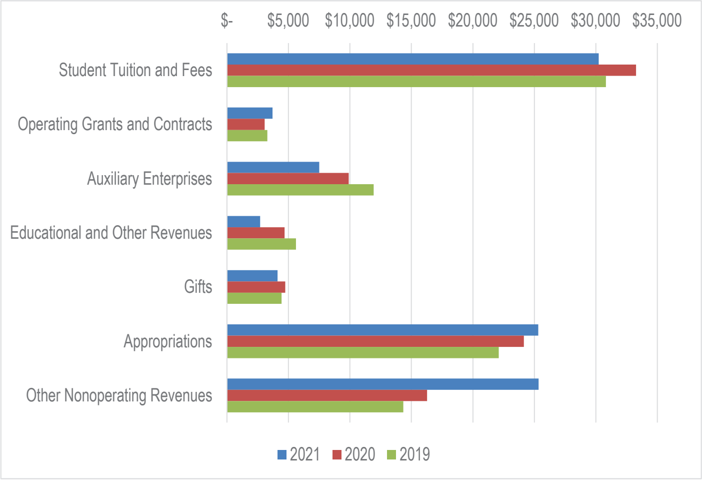
Revenues

Revenues increased $2,813 or 3%.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	**2021**	2020	2019
Student Tuition and Fees	**$ 30,231**	$ 33,263	$ 30,812
Grants and Contracts	**3,705**	3,069	3,290
Auxiliary Enterprises	**7,509**	9,908	11,925
Educational and Other	**2,704**	4,693	5,618
Total Operating Revenues	**44,149**	50,933	51,645
Appropriations	**25,310**	24,141	22,107
Financial Aid Grants	**10,304**	9,686	9,327
Gifts	**4,111**	4,747	4,439
Investment Activity	**1,314**	1,154	1,547
Gain on Sale of Assets, Net	**5**	2	29
Capital Grants and Gifts	**8,476**	4,620	3,431
COVID-19 Institutional Funding	**5,238**	811	-
Total Nonoperating and Other Revenues	**54,758**	45,161	40,880
Total Revenues	**$ 98,907**	$ 96,094	$ 92,525

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues decreased 13% from $50,933 in 2020 to $44,149 in 2021. Operating revenues decreased 1% from $51,645 in 2019 to $50,933 in 2020.

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.
- Other Auxiliaries decreased $342 primarily due to a decrease in incidental fees charged to students.

Educational Department Sales and Services revenues decreased $1,170 or 35% due to decreases across all categories including income from memberships; leases and rentals; and conferences, camps, and clinics.

Other Operating revenues decreased $819 or 59% 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.

Comparison of fiscal year 2020 to fiscal year 2019

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

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

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

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

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

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

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

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

Nonoperating and Other Revenues

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.

The increase in Nonoperating Revenues of $4,281 during 2020 is primarily due to increases in government appropriations and in capital grants and gifts as well as the institutional portion of COVID-19 funding.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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.Y. COVID-19 Relief Funding" for additional information regarding this change.

Comparison of fiscal year 2020 to fiscal year 2019

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

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

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

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

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

- Capital Grants from XI-Q State bond funded construction projects increased $1,246 from the prior year.
- Capital gifts in kind from private individuals increased $30.
- Capital gifts from the SOU Foundation decreased $87.

COVID-19 Institutional Funding was granted and recorded in the amount of $811 during 2020. See "Note 1.Y. COVID-19 Relief Funding" for additional information regarding this funding.

Expenses

Operating Expenses

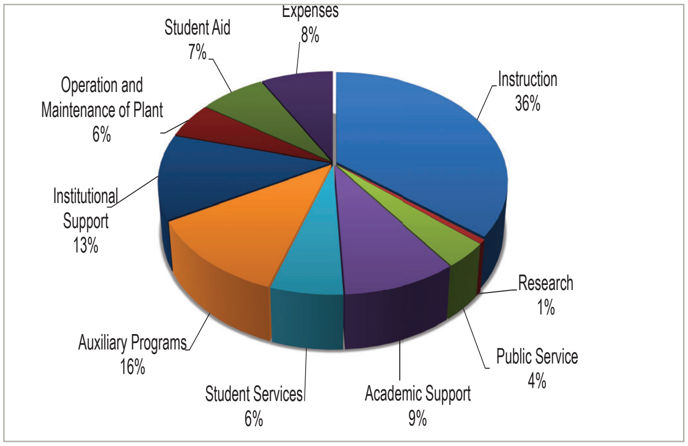
Operating expenses decreased $6,214, or 6% in 2021 over 2020, to $93,681. Operating expenses increased $4,571, or 5% in 2020 over 2019, to $99,895. Enrollment losses due to COVID-19 triggered the University to immediately take action in the Spring of 2020 term to enter into cost-mitigation measures which 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,		**2021**		2020		2019
Instruction	**$**	**33,555**	$	37,367	$	35,909
Research		**579**		489		416
Public Service		**3,402**		3,641		3,733
Academic Support		**8,553**		8,784		7,859
Student Services		**5,402**		6,020		5,860
Auxiliary Programs		**11,149**		14,018		15,176
Institutional Support		**11,693**		12,135		12,556
Operation and Maintenance of Plant		**5,017**		5,318		5,759
Student Aid		**6,810**		7,309		4,082
Other Operating Expenses		**7,521**		4,814		3,974
Total Operating Expenses	**$**	**93,681**	$	99,895	$	95,324

2020 Operating Expense by Function



FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

The implementation of GASB No. 68 in 2015 and the implementation of GASB No. 75 in 2018 have had a profound impact on the operating expenses of SOU. The following tables show the effect of these GASB Statements across the functional classifications. The changes associated with recording the components of Net Pension Liability required by GASB No. 68 increased operating expenses by $5,580; while the changes associated with recording the components of the OPEB Asset/Liability required by GASB No. 75 decreased operating expenses by $3. See "Note 14. Employee Retirement Plans" and "Note 15. Other Postemployment Benefits" for additional details.

The effect of GASB No. 68 and 75 on Expenses by Functional Classifications

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	**3,402**	**3,200**	**202**
Academic Support	**8,553**	**8,037**	**516**
Student Services	**5,402**	**5,017**	**385**
Auxiliary Programs	**11,149**	**10,605**	**544**
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	**7,521**	**7,505**	**16**
Total Operating Expenses	**$ 93,681**	**$ 88,103**	**$ 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 Year Ended June 30, 2019	with adjustments	without adjustments	difference
Instruction	$ 35,909	$ 34,330	$ 1,579
Research	416	397	19
Public Service	3,733	3,612	121
Academic Support	7,859	7,550	309
Student Services	5,860	5,617	243
Auxiliary Programs	15,176	14,777	399
Institutional Support	12,556	12,028	528
Operation and Maintenance of Plant	5,759	5,501	258
Student Aid	4,082	4,082	-
Other Operating Expenses	3,974	3,965	9
Total Operating Expenses	$ 95,324	$ 91,859	$ 3,465

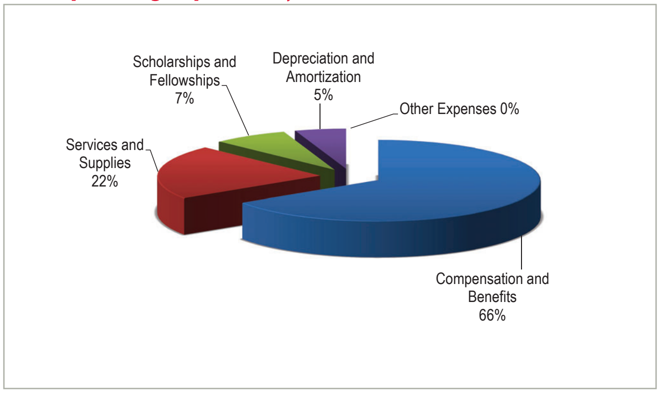
Due to the way in which expenses are incurred by SOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	**2021**	2020	2019
Compensation and Benefits	**$ 61,528**	$ 67,788	$ 65,107
Services and Supplies	**20,352**	19,712	20,950
Scholarships and Fellowships	**7,028**	7,406	4,141
Depreciation and Amortization	**4,773**	4,970	5,119
Other Expenses	**-**	19	7
Total Operating Expenses	**$ 93,681**	$ 99,895	$ 95,324

2021 Operating Expenses by Natural Classification



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 decrease can be attributed to COVID-19 and the University's 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.

Services and Supplies increased $640 or 3%, during 2021. Changes in Services and Supplies expense were mainly due to the following:

- Decreases in expenses of $396 for education and general business operations, particularly in travel and hosting groups and guests. These were offset by increased expenditures for fees and services.
- Decreases of $1,369 for Auxiliary Operations expenses, with the largest decreases of costs being for travel due to the cancellation of most athletic travel activities through much of the year. Also, there were large decreases in utilities and maintenance and repairs.
- Increases in non-capitalized costs in construction funds of $3,014, especially in maintenance and repairs costs.
- Decreases in services and supplies for gifts, grants, and contracts of $525, particularly decreased maintenance and repair costs.

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 decreased $197 caused primarily to 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 and "Note 5. Capital Assets" for additional details on this change.

Nonoperating Expenses

- Interest Expense decreased $930 or 47% due predominately to interest savings which were achieved through the refunding of XI-F(1) debt.

Comparison of fiscal year 2020 to fiscal year 2019

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

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

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

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

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

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

Nonoperating Expenses

- Interest Expense decreased $262 or 12%.

Other Nonoperating Items

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.

Comparison of fiscal year 2020 to fiscal year 2019

Other Nonoperating Items increased $332, primarily due to revenue from the Corporation for Public Broadcasting Stabilization funds.

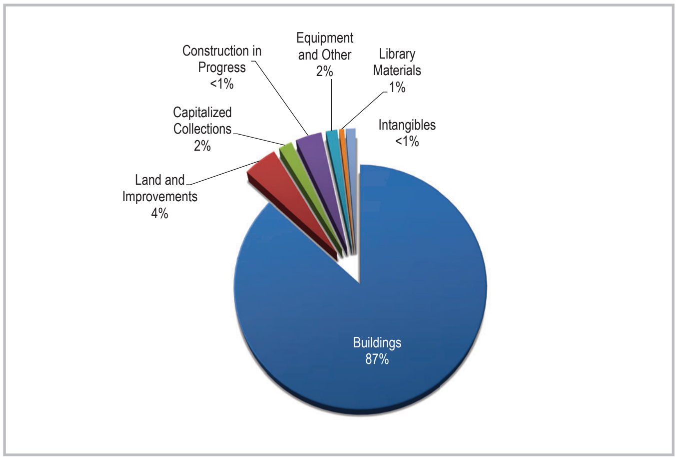
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2021, SOU had $255,037 in capital assets, less accumulated depreciation of $116,933, for net capital assets of $138,104. At June 30, 2020, SOU had $250,079 in capital assets, less accumulated depreciation of $112,356, for net capital assets of $137,723.

2021 Capital Assets, Net - $138,104 thousand



Changes to Capital Assets

	2021	2020	2019
Capital Assets, Beginning of Year	$ 250,079	$ 246,209	$ 241,926
Add: Purchases/Construction	5,176	3,856	4,536
Less: Retirements/ Disposals/Adjustments	(218)	14	(253)
Total Capital Assets, End of Year	255,037	250,079	246,209
Accum. Depreciation, Beginning of Year	(112,356)	(107,356)	(102,379)
Add: Depreciation Expense	(4,773)	(4,970)	(5,119)
Less: Retirements/ Disposals/Adjustments	196	(30)	142
Total Accum. Depreciation, End of Year	(116,933)	(112,356)	(107,356)
Total Capital Assets, Net, End of Year	$ 138,104	$ 137,723	$ 138,853

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.
- Accumulated depreciation increased $4,577 due to monthly depreciation as well as retirements and adjustments.

During fiscal year 2020:

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

Debt Administration

During 2021, long-term debt held by SOU increased by $2,543 or 7%, from $38,414 to $40,957.

Contracts payable to the State of Oregon increased $2,511:

- Changes due to the refunding of XI-F(1) bonds resulted in an increase to debt of $3,747.
- Principal and accreted interest payments of $1,239 were made in 2021.
- An accreted interest accrual of $3 added to the debt.

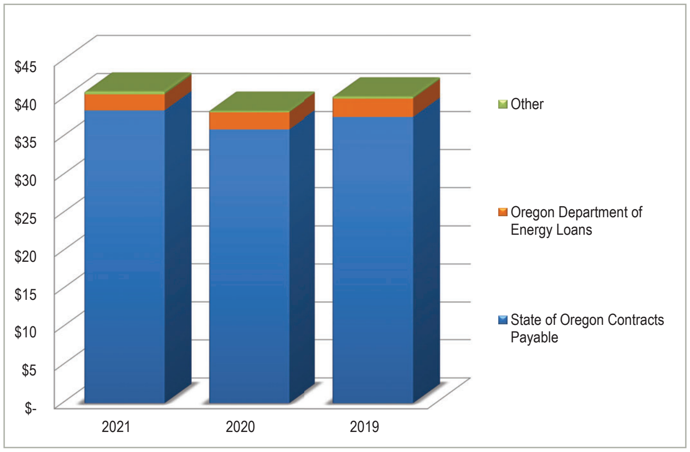
No new loans were added to the State Energy Loan Program (SELP), while principal payments of $153 were paid during the year.

SOU entered into a loan agreement with the Small Business Administration for $279.

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

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

Long-term Debt



ECONOMIC OUTLOOK

Southern Oregon University continues to engage area industry, businesses, and residents to better serve the educational needs of the region and enhance its presence nationally through online programs. SOU's public mission, as a mid-sized regional university offering a comprehensive range of degree programs with a strong emphasis on Business, Education, and the Sciences, 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 enables economic development and stability.

The University's financial sustainability is also critical, and management continuously makes efforts to evaluate and establish new programs and partnerships to expand into new areas and enhance resource utilization while lowering costs. Funding for 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 at the university.

Since March 2020, SOU has faced exceptional challenges as a result of the impacts arising from the COVID-19 global pandemic. Aggressive disease escalation before the start of the fiscal year 2021 prompted the near-complete conversion of face-2-face courses to remote delivery – a monumental achievement for an institution of its size made possible through an exceptional effort by its faculty. Although the University was successful in making the transition, the pandemic dealt a harsh blow to enrollments. Total credit hours attempted by students suffered throughout the academic year as pandemic protocols required students to use remote platforms like ZOOM which many students did not find conducive to learning and subsequently reduced their overall credit hour loads.

Extensive revenue declines continued to be experienced in University Housing activities. At the start of the Fall 2020 term, many students remained home during statewide lockdowns enacted the prior fiscal year; students were given options for deferrals and likewise, some refunds were issued with many students opting to not return in the winter and spring terms. SOU worked with College Housing Foundation (CHF) and Oregon Facilities Authority (OFA) to refinance debt on the CHF Ashland, LLC (North Campus Village) housing project. The CHF Ashland, LLC. Housing project is a Public-Private-Partnership arrangement between the University and CHF, whereby the University leases the land to CHF who owns the building and the debt obligations associated with the building. The University manages the property, including the collection of the rental revenues on behalf of CHF which are then used to pay the cost of operating the facility, including the debt obligations. The refinancing of the bond debt by CHF created approximately $4.1M in reduced bond payment obligations for the first 3 years of the refinancing, helping to insure the ability to continue to meet all payment obligations even during the period of reduced revenues resulting from the pandemic. This will also provide a benefit back to the university creating a pool of liquidity from which financial stabilization efforts will commence.

Similarly, 10% of mandatory enrollment and incidental fees were refunded each term of the academic year. This was supported by the Board of Trustees of Southern Oregon University in recognition of the toll the pandemic was having on students, their finances, and the inaccessibility to services supported by those fees. Management anticipates that returning to normal operations will restore many fee revenue lines to roughly 90-95% pre-pandemic levels for the coming fiscal year depending on student headcounts. The course of the continued pandemic may also impact enrollment levels should a return to remote delivery be mandated by the governor or regional health authorities.

In September 2020 the region was hit with unprecedented wildfire activity that devastated portions of the cities and towns served by the university, further exacerbating enrollment losses. The closest of these, the Almeda fire, affected Ashland, Talent, Phoenix, and Medford, destroying thousands of homes and businesses. Significant repercussions to revenues were immediately observed. Students, faculty, and staff who lost their homes struggled to find housing in the middle of the pandemic; state and federal relief weren't timely for many, and it's known that some families have left the region.

Combined, these events caused a total 10.78% drop in overall undergraduate and graduate student credit hour totals for the academic year; the largest reduction observed since the 1990-91 Academic year. For many universities its size, this would present an insurmountable challenge. However, SOU leadership swiftly enacted several extraordinary cost-saving measures and leveraged federal COVID relief programs to their maximum effect, becoming a model for other universities struggling through the pandemic.

Foremost among these was enrolling in Oregon's "work share" program and implementing 20-40% furloughs for administrative and classified employees. Faculty employees too supported 8 days of furloughs directly impacting their incomes. Federal stimulus relief in the CARES, CRRSAA, and ARP acts provided full coverage for furloughed employees participating in the work share program and many received direct federal unemployment support as part of those three separate COVID-19 relief acts. Labor and other cost-cutting measures resulted in nearly $7.1M in budgeted operations for the fiscal year ending June

30, 2021. Those savings and resultant additions to the fund balance will directly impact the university's stability and economic vitality in the coming biennium.

Modifications to state funding support via the Student Success and Completions Model (SSCM) were finalized in June 2021 and several critical updates in the model will yield a greater portion of the public university support fund (PUSF) to SOU. This is magnified by unexpected revenue gains for the state and a nearly $63 million increase to PUSF for the 2021 – 2023 biennium. Collectively, the university expects allocations to increase nearly $1.3M from the prior fiscal year and $4.7M for the biennium compared to the prior 2019-21 biennium.

While this represents a very welcome change, it, unfortunately, does not make up for the prior three biennia wherein SOU was disadvantaged by the model and lost students due to tuition hikes caused by its funding inequities. Moreover, this modest increase to PUSF isn't a true investment in higher-ed like the bordering states of California and Washington have recently made, in turn attracting some students back to their home states. Akin to many of its sister institutions, SOU must continue to identify further cost-cutting measures to keep the cost of education affordable to its future students; especially those from traditionally underrepresented and BIPOC populations whom SOU excels in serving.

Although recent management forecasts are predicting a further 10% percent reduction in enrollment in the coming fiscal year, ostensibly due to a decline in new students who struggled through the pandemic, some areas continue to show growth. Foremost are graduate degree programs, especially online programs such as the MBA and MS.Ed. Additionally, demographic and census data from 2020 show Jackson County's population growing at a rate that is nearly three points higher than the national average. This represents an emerging opportunity to attract future students both of traditional post-high school age and increasingly non-traditional aged students seeking to further their education. However, this will need to be re-evaluated from a post-pandemic, post-wildfire lens in the coming years to quantify if that trend holds.

Presently, SOU anticipates economically significant cost increases. Factors leading to a sharp inflationary period for goods and services post-pandemic are beginning to manifest regionally and nationally. Management believes these increases will necessitate careful monitoring during the remainder of the calendar year 2021 and into 2022. Likewise, as furloughs are lifted and a full return to normal operations is expected at the beginning of the fall term, labor costs will greatly return to pre-pandemic levels and shortly thereafter exceed them after the ratification of both the faculty and classified union bargaining contracts.

Recognizing that SOU still has foundational fiscal challenges stemming from years of enrollment declines, management is committed to maintaining some austerity measures adopted during the pandemic such as travel reductions, limiting gatherings and events, and deferring hiring actions when practical or feasible. Furthermore, SOU will continue embracing technological innovations like ZOOM meetings, continued digitization away from paper forms, and work from home initiatives that have wrought surprising efficiencies and more efficacious workflows. The university is actively looking for ways to help students reduce the cost of education through enhanced remissions programs and open education resources (OERs) while maintaining financial stability to meet ongoing obligations and invest in strategic initiatives that promote enrollment growth, retention, and graduates future leaders for the region.

Finally, management is heartened that the past year clearly illustrated how well SOU's faculty, administrators, and staff can work together to seek out innovative approaches to complex problems and opportunities the pandemic and wildfires exposed. This collaborative environment, albeit through a ZOOM window, provided a renewed focus on core aspects of how the university delivers exceptional service in all aspects of its mission and strategic plan. In many ways, the pandemic and wildfires have been a coalescing moment for the campus community. Management is convinced the future will be prosperous not long after the vestiges of the crises this university endured fade into nothing more than distant, admittedly harrowing, memories.


Sawyer
Sawyer
Sawyer

STATEMENTS OF NET POSITION

SOUTHERN OREGON UNIVERSITY

As of June 30,	2021	2020
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	**$ 5,324**	$ 5,774
Collateral from Securities Lending (Note 2)	**163**	263
Accounts Receivable, Net (Note 3)	**12,535**	6,554
Notes Receivable, Net (Note 4)	**912**	1,238
Inventories	**416**	382
Prepaid Expenses	**525**	711
Total Current Assets	**19,875**	14,922
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	**2,282**	3,311
Investments (Note 2)	**12,826**	8,757
Notes Receivable, Net (Note 4)	**3,129**	3,662
Net OPEB Asset (Note 15)	**161**	488
Capital Assets, Net of Accumulated Depreciation (Note 5)	**138,104**	137,723
Total Noncurrent Assets	**156,502**	153,941
Total Assets	**$ 176,377**	$ 168,863
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 13,463**	$ 12,021
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	**$ 3,599**	$ 4,453
Deposits	**157**	165
Obligations Under Securities Lending (Note 2)	**163**	263
Current Portion of Long-Term Liabilities (Note 9)	**4,158**	3,905
Unearned Revenues	**3,801**	3,254
Total Current Liabilites	**11,878**	12,040
Noncurrent Liabilities		
Long-Term Liabilities (Note 9)	**43,048**	40,697
Net Pension Liability (Note 14)	**41,733**	34,506
OPEB Liability (Note 15)	**1,596**	1,744
Total Noncurrent Liabilities	**86,377**	76,947
Total Liabilities	**$ 98,255**	$ 88,987
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 4,043**	$ 4,429
NET POSITION		
Net Investment in Capital Assets	**$ 97,448**	$ 99,610
Restricted For:		
Nonexpendable Endowments	**1,812**	1,812
Expendable:		
Gifts, Grants and Contracts	**2,963**	1,911
Student Loans	**212**	315
Capital Projects	**308**	606
Debt Service	**311**	383
OPEB Asset	**161**	488
Unrestricted (Note 10)	**(15,673)**	(17,657)
Total Net Position	**$ 87,542**	$ 87,468

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,	2021	2020
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $10,794 and $10,648, Note 1.T)	**$ 30,231**	$ 33,263
Federal Grants and Contracts	**1,403**	1,338
State and Local Grants and Contracts	**1,015**	524
Nongovernmental Grants and Contracts	**1,287**	1,207
Educational Department Sales and Services	**2,141**	3,311
Auxiliary Enterprises Revenues (Net of Allowances of $636 and $1,425, Note 1.T)	**7,509**	9,908
Other Operating Revenues	**563**	1,382
Total Operating Revenues	**44,149**	50,933
OPERATING EXPENSES		
Instruction	**33,555**	37,367
Research	**579**	489
Public Service	**3,402**	3,641
Academic Support	**8,553**	8,784
Student Services	**5,402**	6,020
Auxiliary Programs	**11,149**	14,018
Institutional Support	**11,693**	12,135
Operation and Maintenance of Plant	**5,017**	5,318
Student Aid	**6,810**	7,309
Other Operating Expenses	**7,521**	4,814
Total Operating Expenses (Note 12)	**93,681**	99,895
Operating Loss	**(49,532)**	(48,962)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 13)	**25,131**	23,962
Financial Aid Grants	**10,304**	9,686
Gifts	**4,111**	4,747
Investment Activity (Note 11)	**1,314**	1,154
Gain on Sale of Assets, Net	**5**	2
Interest Expense	**(1,046)**	(1,976)
COVID-19 Institutional Funding (Note 1.Y.)	**5,238**	811
Other Nonoperating Items	**(4,106)**	242
Net Nonoperating Revenues	**40,951**	38,628
Loss Before Other Nonoperating Revenues	**(8,581)**	(10,334)
Debt Service Appropriations (Note 13)	**179**	179
Capital Grants and Gifts	**8,476**	4,620
Total Other Nonoperating Revenues	**8,655**	4,799
Increase (Decrease) In Net Position	**74**	(5,535)
NET POSITION		
Beginning Balance	**87,468**	93,003
Ending Balance	**$ 87,542**	$ 87,468

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

For the Years Ended June 30,	2021	2020
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 28,279**	$ 32,332
Grants and Contracts	**4,443**	2,869
Educational Department Sales and Services	**2,141**	3,311
Auxiliary Enterprises Operations	**7,054**	10,063
Payments to Employees for Compensation and Benefits	**(56,394)**	(63,437)
Payments to Suppliers	**(20,413)**	(20,780)
Student Financial Aid	**(7,028)**	(7,406)
Other Operating Receipts	**565**	1,358
Fiduciary Activities - Direct Student Loan Receipts	**18,208**	22,906
Fiduciary Activities - Direct Student Loan Disbursements	**(18,076)**	(23,062)
Fiduciary Activities - Other Custodial Fund Receipts	**45**	475
Fiduciary Activities - Other Custodial Fund Disbursements	**(58)**	(478)
Net Cash Used by Operating Activities	**(41,234)**	(41,849)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**25,131**	23,962
Financial Aid Grants	**10,304**	9,686
Gifts	**4,175**	4,699
Other Noncapital Financing Receipts	**284**	216
COVID-19 Institutional Funding	**1,552**	811
Net Cash Provided by Noncapital Financing Activities	**41,446**	39,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**179**	179
Capital Grants and Gifts	**8,883**	4,063
State Contracts for Capital Debt	**-**	74
Proceeds from Sale of Capital Assets	**27**	18
Purchases of Capital Assets	**(4,867)**	(4,720)
Interest Payments on Capital Debt	**(1,432)**	(2,105)
Principal Payments on Capital Debt	**(1,726)**	(1,884)
Net Cash Provided (Used) by Capital and Related Financing Activities	**1,064**	(4,375)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**(3,393)**	6,663
Income on Investments and Cash Balances	**638**	1,237
Net Cash Provided (Used) by Investing Activities	**(2,755)**	7,900
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,479)**	1,050
CASH AND CASH EQUIVALENTS		
Beginning Balance	**9,085**	8,035
Ending Balance	**$ 7,606**	$ 9,085

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

For the Years Ended June 30,	2021	2020
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**(49,532)**	(48,962)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	**4,773**	4,970
Fiduciary Student Loans	**132**	(156)
Other Fiduciary Activities	**(13)**	(3)
Changes in Assets and Liabilities:		
Accounts Receivable	**(2,931)**	410
Notes Receivable	**717**	(626)
Inventories	**(34)**	8
Prepaid Expenses	**186**	(87)
Accounts Payable and Accrued Liabilities	**(718)**	(981)
Long-Term Liabilities	**61**	(245)
Unearned Revenue	**547**	(762)
OPEB Asset/Liability and Related Deferrals	**(2)**	(71)
Net Pension Liability and Related Deferrals	**5,580**	4,656
NET CASH USED BY OPERATING ACTIVITIES	**$ (41,234)**	$ (41,849)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Contributed Capital Assets Acquired	**69**	79
Capital Assets Acquired by Accounts Payable	**325**	75
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	**676**	(84)
Gain on Sale of Investments Recognized as a Component of Investment Activity	**109**	393

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,		2021		2020
		(in thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	**$**	**1,068**	$	609
Unconditional Promises to Give, Net		**330**		251
Total Current Assets		**1,398**		860
Noncurrent Assets				
Investments		**38,778**		30,500
LongTerm Unconditional Promises to Give, Net		**296**		137
Assets Held Under Split-Interest Agreements		**519**		424
Other Assets		**1,063**		1,153
Total Other Assets		**40,656**		32,214
Total Assets	**$**	**42,054**	$	33,074
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable and Accrued Liabilities	**$**	**90**	$	54
Deferred Revenue		**-**		67
Payments Due to Related Entity		**39**		12
Total Current Liabilities		**129**		133
Obligations Under Split-Interest Agreements		**235**		216
Total Liabilities		**364**		349
Net Assets				
Without Donor Restrictions		**3,057**		2,760
With Donor Restrictions		**38,633**		29,965
Total Net Assets		**41,690**		32,725
Total Liabilities and Net Assets	**$**	**42,054**	$	33,074

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

For the Years Ended June 30,	2021	2020
	(In thousands)	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	**$ 126**	$ 124
Contributed Services Support	**784**	895
Net Investment Income	**124**	161
Fundraising Activities and Other Income	**-**	-
Net Assets Released From Restrictions	**3,341**	3,672
Total Revenue and Other Support	**4,375**	4,852
Functional Expenses		
Program Services	**2,717**	3,147
Management and Fundraising	**1,311**	1,509
Total Expenses	**4,028**	4,656
Other Changes in Net Assets		
Loss on Sale of Other Assets	**(50)**	-
Increase In Unrestricted Net Assets	**297**	196
Beginning Balance, Unrestricted Net Assets	**2,760**	2,564
Ending Balance, Unrestricted Net Assets	**$ 3,057**	$ 2,760
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	**3,569**	2,534
Change in Split-Interest Agreements	**(43)**	(18)
Net Investment Income	**983**	1,243
Net Realized and Unrealized Gains	**7,435**	(1,223)
Fundraising Activities and Other Income	**65**	107
Net Assets Released From Restrictions	**(3,341)**	(3,672)
Increase (Decrease) In Net Assets With Donor Restrictions	**8,668**	(1,029)
Beginning Balance, Net Assets With Donor Restrictions	**29,965**	30,994
Ending Balance, Net Assets With Donor Restrictions	**$ 38,633**	$ 29,965
Increase (Decrease) In Total Net Assets	**8,965**	(833)
Beginning Balance, Total Net Assets	**32,725**	33,558
Ending Balance, Total Net Assets	**$ 41,690**	$ 32,725

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

As of June 30,	Custodial Funds 2021		Custodial Funds 2020	
	(In thousands)			
ASSETS				
Cash Deposits - Student Housing Program	**$**	**221**	$	1,935
Cash Reserves - Student Housing Capital		**-**		954
Cash Deposits - Other		**99**		87
Deposits Held By Others		**1,532**		-
Accounts Receivable, Net		**139**		64
Prepaid Expenses		**91**		84
Total Assets	**$**	**2,082**	$	3,124
LIABILITIES				
Payments Due to University	**$**	**1,532**	$	1,748
Accounts Payable and Accrued Liabilities		**34**		9
Total Liabilities	**$**	**1,566**	$	1,757
FIDUCIARY NET POSITION				
Restricted For:				
CHF-Ashland, L.L.C.	**$**	**422**	$	1,280
Student and Campus Organizations		**94**		87
Total Fiduciary Net Position	**$**	**516**	$	1,367

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

	Custodial Funds	
For the Years Ended June 30,	2021	2020
	(In thousands)	
ADDITIONS		
Student Housing Rentals	$ 3,622	$ 6,182
Conference and Miscellaneous Rentals	22	169
Other Additions	13	59
Total Additions	**$ 3,657**	**$ 6,410**
DEDUCTIONS		
Student Housing Operations	$ 4,383	$ 6,039
Student Housing Administrative and General	106	148
Other Deductions	19	89
Total Deductions	**$ 4,508**	**$ 6,276**
Increase (Decrease) In Fiduciary Net Position	**$ (851)**	**$ 134**
Fiduciary Net Position - Beginning	1,367	1,233
Fiduciary Net Position - Ending	$ 516	$ 1,367

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, 2021 and 2020 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, 2021 and 2020 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

There were no new GASB standards effective for fiscal year 2021 that had a significant impact on SOU.

UPCOMING ACCOUNTING STANDARDS

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

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end 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.

There were no new statements issued by the GASB between July 2020 and June 2021.

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. Unearned Revenues

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

J. Compensated Absences

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

K. Net Pension Liability

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

L. Other Postemployment Benefits (OPEB) Asset/ Liability

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

M. Deferred Outflows and Deferred Inflows of Resources

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

N. Net Position

SOU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – NONEXPENDABLE

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

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

O. Restricted/Unrestricted Resources

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

P. Endowments

The University has the authority, through SOU Board policy, to use the interest, income, dividends, or profits of endowments. SOU has entered into an agreement with the Oregon State Treasury (State Treasury) for the management of SOU endowment funds. SOU Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current Board policy, the amount available for distribution during fiscal year 2022 is estimated to be $1,340. For the year ended June 30, 2021, the net amount of appreciation available for authorization for expenditure was $100. For the year ended June 30, 2020, the net amount of appreciation available for authorization for expenditure was $679. 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, 2021 and 2020 represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

Q. Income Taxes

SOU is treated as a governmental entity for tax purposes. As such, SOU is generally not subject to federal and state income taxes. However, SOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2021 or June 30, 2020, because there is no amount of taxes on such unrelated business income for SOU.

R. Revenues and Expenses

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

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

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

S. State Support

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

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

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

T. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship and bad debt allowances. A scholarship allowance is the difference between the University's stated rates and charges and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as PELL grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance. SOU has three types of allowances that net into tuition and fees and auxiliary revenues. Tuition and housing waivers provided directly by SOU amounted to $3,374 and $4,193 for the fiscal years ended June 30, 2021 and 2020, respectively. Revenues from financial aid programs (e.g., PELL Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $7,210 and $7,123 for the fiscal years ended June 30, 2021 and 2020, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $846 and $757 for the fiscal years ended June 30, 2021 and 2020, respectively.

U. Federal Student Loan Programs

SOU receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities, such as SOU, to report activities that would otherwise be considered custodial funds in SOU's Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by SOU students but not reported in operations was $18,076 and $23,062 for the fiscal years ended June 30, 2021 and 2020, respectively.

V. 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.

W. Use of Estimates

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

X. Reclassifications

Certain amounts within the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. The reclassifications had no effect on previously reported total net position.

Y. 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 CRRSA 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 occurred 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, 2021, total COVID relief funding awarded to SOU under HEERF II and HEERF III was $17,176. SOU was awarded $7,241 for the student portion allocation, of which $1,711 was received and dispersed directly to students as emergency financial aid grants as of June 30, 2021 and $5,530 remains to be received and dispersed in fiscal year 2022. SOU recognized nonoperating financial aid grant revenue and student aid operating expense for the receipt and disbursement of these funds. SOU was awarded $9,935 for the institutional portion allocation. As of June 30, 2021, SOU has receivables of $4,491 for expenses made and $5,444 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 $264 through the Strengthening Institutions Program (SIP), all of which is available for fiscal year 2022. Funding through this program could be used for student aid or to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll.

SOU was also awarded $146 through the Governor's Emergency Education Relief Fund. Of this funding, $73 has been dispersed as of June 30, 2021 and $73 remains to be expended. Total amount expended as of June 30,2021 was used for student financial aid.

As of June 30, 2020, the total CARES Act funding awarded to SOU was $3,591. SOU was awarded $1,711 for the student portion allocation, of which $809 was received and $2 was recorded as a receivable as of June 30, 2020. Of the student allocation, $811 was dispersed directly to students as emergency financial aid grants as of June 30, 2020 and $900 remained to be dispersed in fiscal year 2021. SOU recognized nonoperating financial aid grant revenue and student aid operating expense for the total amount dispersed to students. As of June 30,2021, an additional $641 had been disbursed to students and $259 remains to be expended.

SOU was awarded a matching $1,711 for the Institutional Portion allocation. As of June 30, 2020, SOU incurred $1,388 of expenditures that were identified as allowable under the institutional portion of the HEERF. The identified expenditures were funds SOU dispersed directly to student accounts to cover fees associated with unoccupied student housing during the pandemic-caused campus closure. The Collegiate Housing Foundation (CHF), owners of North Campus Village student housing, did not allow for any exceptions to the student housing contracts and required all students pay the agreed upon housing fees, regardless of occupancy, unless fully withdrawing from all classes. In order to support students choosing to continue their studies remotely during the campus closure, SOU dispersed funds directly to student accounts to cover the unoccupied CHF housing fees. SOU recognized student aid operating expense for funds dispersed to student accounts. Because the aid to students was provided through account reductions, and not direct disbursements to students, funds are not considered to be eligible for reimbursement under the student portion allocation. Due to spend contingencies stipulated in the HEERF, and in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenue from the institutional portion allocation can only be recognized up to the amount recognized for the student portion allocation. As of June 30, 2020, SOU recognized $811 in other nonoperating revenue for the institutional portion and an additional $577 had been expended with the corresponding revenue not recognized until fiscal year 2021. The remaining $323 was available to SOU for reimbursement of eligible expenditures incurred in later years. As no amounts were received as of June 30, 2020, SOU recorded a corresponding $811 receivable for the institutional portion funds allowed to be recognized as revenue. These funds were received before June 30, 2021. As of June 30, 2021, $323 of these funds remain for future expenditure.

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

Z. 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 2021, the ground-lease receivable to the University was $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. Earlier 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. If the 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.

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, 2021 and 2020. 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.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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

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

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2021 and 2020 as follows:

	June 30, 2021	June 30, 2020
Current		
Unrestricted	$ 2,951	$ 3,626
Restricted For:		
Gifts, Grants, and Contracts	791	114
Debt Service	177	237
Student Aid	63	126
Payroll Vendor Payments	1,332	1,661
Petty Cash	10	10
Total Current Cash	5,324	5,774
Noncurrent		
Unrestricted	2,131	3,250
Restricted For:		
Capital	151	61
Total Noncurrent Cash	2,282	3,311
Total	$ 7,606	$ 9,085

Noncurrent, unrestricted cash consists primarily of student building fee funds. Prior to July, 2015, the student building fee funds were restricted for future debt service payments or other capital project expenses. The Board of Trustees now has spending authority over these funds, which are no longer restricted. 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 2022 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, 2021 and 2020, SOU cash and cash equivalents on deposit at the State Treasury was $7,597 and $9,075, respectively. At the fiscal year ended June 30, 2021 and 2020, 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 $320 and $2,976, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

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

FOREIGN CURRENCY RISK—DEPOSITS

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

OTHER DEPOSITS

For both of the years ended June 30, 2021 and 2020, SOU had vault and petty cash balances of $10. At June 30, 2021 and June 30, 2020, SOU had no cash held in escrow.

B. Investments

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

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2021, of the total $12,826 in investments, $3,179 are restricted for endowments, which include both true and quasi-endowments.

At June 30, 2020, of the total $8,757 in investments, $2,512 were 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, 2021.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

Of SOU's total assets invested in the PUF investment pool, as of June 30, 2021, $9,646 are invested in the CBF. As of June 30, 2020, $6,245 were invested in the CBF.

Investments of the SOU discretely presented component units are summarized at June 30, 2021 and 2020 as follows:

COMPONENT UNIT

Fair Value at June 30,	2021	2020
Investment Type:		
Mutual Funds:		
Equities	$ 25,667	$ 19,399
Fixed Income	13,063	11,028
Cash and Cash Equivalents	48	73
Total Investments	$ 38,778	$ 30,500

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. As of June 30, 2021 and 2020, respectively, approximately 94.5 percent and 91.5 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 $223,564 at June 30, 2021 and $120,344 at June 30, 2020 for investments in the PUF pools. Fixed income securities which have not been evaluated by the rating agencies totaled $31,546 at June 30, 2021 and $55,753 at June 30, 2020 for investments in PUF pools. The PUF Investment Pools totaled $270,091 at June 30, 2021, of which SOU owned $9,646 or 3.6 percent. The PUF Investment Pools totaled $192,396 at June 30, 2020, of which SOU owned $6,245 or 3.2 percent. As of June 30, 2021 and June 30, 2020, 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, 2021 and 2020, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

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

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. As of June 30, 2021, approximately 37.3 percent, or $1,186, of SOU endowments managed by the State Treasury were subject to foreign currency risk. As of June 30, 2020, approximately 35.4 percent, or $888, 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, 2021 or 2020.

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, 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, 2020, securities in the PUF Investment Pool held subject to interest rate risk totaling $176,097 had an average duration of 3.8 years. As of June 30, 2021, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $722 had an average duration of 7.06 years. As of June 30, 2020, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $665 had an average duration of 6.8 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

FAIR VALUE MEASUREMENT

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

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

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

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

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

The fair value of SOU's investments in the PUF are based on the investments' NAV per share provided by the State Treasury. Fair value measurements for the University's investments in the CBF at June 30, 2021 and 2020 totaled $9,646 and $6,245, respectively.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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

At June 30, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, is effectively one day. As of June 30, 2021 and 2020, 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, 2021 and 2020 comprised the following:

	June 30, 2021	June 30, 2020
Investment Type		
U.S. Treasury and Agency Securities	**$ 198**	$ 406
Domestic Fixed Income Securities	**156**	41
International Equity	**-**	1
Total	**$ 354**	$ 448

The fair value of the University's share of total cash and securities collateral received as of June 30, 2021 and 2020 was $354 and $458, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2021 and 2020 was $163 and $263, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2021	June 30, 2020
Student Tuition and Fees	**$ 7,208**	$ 4,843
Auxiliary Enterprises and Other Operating Activities	**2,090**	1,416
Capital Construction Gifts and Grants	**-**	334
State, Other Government, and Private Gifts, Grants and Contracts	**360**	205
Component Units	**68**	132
Fiduciary Units	**1,532**	1,748
Federal Grants and Contracts	**4,739**	1,165
Other	**5**	113
	16,002	9,956
Less: Allowance for Doubtful Accounts	**(3,467)**	(3,402)
Accounts Receivable, Net	**$ 12,535**	$ 6,554

The $1,532 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.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

4. NOTES RECEIVABLE

SOU Notes Receivable has four main components.

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

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

Student loans made through the Federal Perkins Loan Program were funded through interest earnings and repayment of loans previously issued. The Federal Perkins loan program has been discontinued. No new loans were issued and, during the fiscal year ending June 30,2019, SOU began the process of assigning these loans back to the U.S. Department of Education. As of June 30, 2020, only $26 had not been assigned. As of June 30, 2021, all former Perkins loans had been purchased by SOU and are now recorded as institutional student loans.

	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**

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

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5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2019	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2020	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2021**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 4,456	$ -	$ -	$ 9	$ 4,465	**$ -**	**$ -**	**$ -**	**$ 4,465**
Capitalized Collections	2,443	17	-	-	2,460	**15**	**-**	**-**	**2,475**
Construction in Progress	1,259	2,930	-	-	4,189	**3,446**	**(2,856)**	**(19)**	**4,760**
Perpetual Intangible Assets	1,396	216	-	-	1,612	**123**	**-**	**-**	**1,735**
Total Capital Assets, Non-depreciable/Non-amortizable	9,554	3,163	-	9	12,726	**3,584**	**(2,856)**	**(19)**	**13,435**
Capital Assets, Depreciable/ Amortizable:									
Equipment	12,704	375	-	(90)	12,989	**450**	**-**	**(102)**	**13,337**
Library Materials	14,865	162	-	95	15,122	**165**	**-**	**(85)**	**15,202**
Buildings	199,574	74	-	-	199,648	**977**	**2,317**	**(12)**	**202,930**
Land Improvements	2,991	38	-	-	3,029	**-**	**-**	**-**	**3,029**
Improvements Other Than Buildings	1,435	-	-	-	1,435	**-**	**539**	**-**	**1,974**
Infrastructure	2,995	44	-	-	3,039	**-**	**-**	**-**	**3,039**
Intangible Assets	2,091	-	-	-	2,091	**-**	**-**	**-**	**2,091**
Total Capital Assets, Depreciable/Amortizable	236,655	693	-	5	237,353	**1,592**	**2,856**	**(199)**	**241,602**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(10,479)	(578)	-	65	(10,992)	**(435)**	**-**	**102**	**(11,325)**
Library Materials	(13,929)	(178)	-	(95)	(14,202)	**(210)**	**-**	**85**	**(14,327)**
Buildings	(74,895)	(4,057)	-	-	(78,952)	**(3,980)**	**-**	**9**	**(82,923)**
Land Improvements	(2,082)	(83)	-	-	(2,165)	**(88)**	**-**	**-**	**(2,253)**
Improvements Other Than Buildings	(908)	(56)	-	-	(964)	**(60)**	**-**	**-**	**(1,024)**
Infrastructure	(2,973)	(18)	-	-	(2,991)	**-**	**-**	**-**	**(2,991)**
Intangible Assets	(2,090)	-	-	-	(2,090)	**-**	**-**	**-**	**(2,090)**
Total Accumulated Depreciation/ Amortization	(107,356)	(4,970)	-	(30)	(112,356)	**(4,773)**	**-**	**196**	**(116,933)**
Total Capital Assets, Net	$ 138,853	$ (1,114)	$ -	$ (16)	$ 137,723	**$ 403**	**$ -**	**$ (22)**	**$ 138,104**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 9,554	$ 3,163	$ -	$ 9	$ 12,726	**$ 3,584**	**$ (2,856)**	**$ (19)**	**$ 13,435**
Capital Assets, Depreciable/ Amortizable	236,655	693	-	5	237,353	**1,592**	**2,856**	**(199)**	**241,602**
Total Cost of Capital Assets	246,209	3,856	-	14	250,079	**5,176**	**-**	**(218)**	**255,037**
Less Accumulated Depreciation/ Amortization	(107,356)	(4,970)	-	(30)	(112,356)	**(4,773)**	**-**	**196**	**(116,933)**
Total Capital Assets, Net	$ 138,853	$ (1,114)	$ -	$ (16)	$ 137,723	**$ 403**	**$ -**	**$ (22)**	**$ 138,104**

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2021	June 30, 2020
Deferred Outflows of Resources due to:		
Pension Obligations (Note 14)	**$ 13,085**	$ 11,832
Other Postemployment Benefit Obligations (Note 15)	**378**	189
Total Deferred Outflows of Resources:	**$ 13,463**	$ 12,021
Deferred Inflows of Resources		
Pension Obligations (Note 14)	**$ 3,608**	$ 4,002
Other Postemployment Benefit Obligations (Note 15)	**435**	427
Total Deferred Inflows of Resources:	**$ 4,043**	$ 4,429

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2021	June 30, 2020
Payroll Related	**$ 1,331**	$ 1,661
Salaries and Wages	**1,060**	1,235
Services & Supplies	**449**	662
Accrued Interest	**433**	819
Contract Retainage Payable	**323**	51
Construction Payables	**2**	24
Other	**1**	1
Total	**$ 3,599**	$ 4,453

8. OPERATING LEASES

A. Receivables/Revenues

SOU receives income for land and property that is leased to third parties. Rental income received from leases was $1,144 and $1,791 for the years ended June 30, 2021 and 2020, respectively. The original cost of assets leased, net of depreciation, was either undetermined or fully depreciated for the years ended June 30, 2021 and 2020. Minimum future lease revenue from noncancelable operating leases at June 30, 2021 were:

For the year ending June 30,	
2022	$ 1,115
2023	1,116
2024	1,117
2025	1,100
2026	1,100
2027-2031	5,500
2032-2036	5,500
2037-2041	5,500
2042-2046	5,500
2047-2051	1,100
Total Minimum Operating Lease Revenues	$ 28,648

B. Payables/Expenses

SOU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $696 and $726 for the years ended June 30, 2021 and 2020, respectively. Minimum future lease payments on operating leases at June 30, 2021 were:

For the year ending June 30,	
2022	$ 605
2023	499
2024	214
2025	65
2026	33
Total Minimum Operating Lease Payments	$ 1,416

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

9. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	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
Installment Purchase	187	-	(94)	93	93	-
Total Long-Term Debt	38,414	26,087	(23,544)	40,957	1,130	39,827
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	$ 27,166	$ (24,562)	$ 47,206	$ 4,158	$ 43,048

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

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (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	SBA Loan	Installment Purchases	Total Payments	Principal	Interest
2022	$ 1,810	$ 231	$ -	$ 93	$ 2,134	$ 1,090	$ 1,044
2023	1,827	231	81	-	2,139	1,094	1,045
2024	2,740	231	78	-	3,049	2,049	1,000
2025	2,857	232	78	-	3,167	2,216	951
2026	3,031	232	51	-	3,314	2,416	898
2027-2031	14,568	1,120	-	-	15,688	12,017	3,671
2032-2036	11,541	368	-	-	11,909	9,868	2,041
2037-2041	6,350	-	-	-	6,350	5,360	990
2042-2046	5,111	-	-	-	5,111	4,805	306
2047-2051	-	-	-	-	-	-	-
Accreted Interest	42				42	42	-
						$ 40,957	$ 11,946
Total Future Debt Service	**49,877**	**2,645**	**288**	**93**	**52,903**		
Less: Interest Component of Future Payments	(11,394)	(543)	(9)	-	(11,946)		
Principal Portion of Future Payments	**$ 38,483**	**$ 2,102**	**$ 279**	**$ 93**	**$ 40,957**		

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 withold further disbursements of state general fund appropriations up to the amount of the default. Loans, with coupon rates ranging from 0.07 percent to 5.29 percent, are due serially through 2046.

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.

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

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 has entered in to a loan agreement with the Small Business Administration (SBA) through the CARES Act Paycheck Protection Program. This loan has 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 has an installment purchase agreement with the Bonneville Environmental Foundation for the Watershed Project. This agreement has no interest and will have payments through 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 $215 and $242 for June 30, 2021 and 2020, respectively. Principal payments of $370 and $315 were applied to the liability for June 30, 2021 and 2021, respectively.

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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, 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. As of June 30, 2020, 24 retirees were participating in the health and dental benefits option of this plan and a $1,082 liability will be paid out through fiscal year 2029.

10. UNRESTRICTED NET POSITION

Unrestricted Net Position was comprised of the following:

	June 30, 2021	June 30, 2020
University Operations	**$ 23,535**	$ 16,107
Compensated Absences Liability (Note 9)	**(2,702)**	(2,139)
Other Post-Employment Benefits Liability (Note 15)	**(1,596)**	(1,744)
State and Local Government Rate Pool (Note 9)	**(2,597)**	(2,967)
Net Pension Liability (Note 14)	**(41,733)**	(34,506)
Pension & OPEB Related Deferred Outflows (Note 6)	**13,463**	12,021
Pension & OPEB Related Deferred Inflows (Note 6)	**(4,043)**	(4,429)
Total Unrestricted Net Position	**$ (15,673)**	$ (17,657)

11. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2021	June 30, 2020
Investment Earnings	**$ 280**	$ 827
Interest Income	**250**	18
Endowment Income	**93**	91
Net Appreciation (Depreciation) of Investments	**583**	(174)
Other	**(1)**	(1)
Gain on Sale of Investment	**109**	393
Total Investment Activity	**$ 1,314**	$ 1,154

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12. OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

The reporting of the net pension liability as per GASB Statement Nos. 68 and 71 as well as that of the OPEB liability per GASB Statement No. 75, significantly affects the recorded compensation and benefit expenses of SOU. Changes in the pension and OPEB expenses and their associated reporting requirements increased the reported compensation and benefit expenses of SOU by $5,578 and $4,587 for the fiscal years ended June 30, 2021 and 2020, respectively.

During the fiscal years ended June 30, 2021 and 2020, SOU was awarded funds through various iterations of the federal COVID-19 relief funding. Expenses funded with the student portion of the COVID-19 relief funding totaled $2,424 during fiscal year 2021 and are recorded in the Student Aid classification on the Statement of Revenues, Expenses, and Changes in Net Position and in the Scholarships & Fellowships column below. Expenses funded through the institutional portion of the COVID-19 relief funding for the fiscal year ended June 30, 2021 totaled $169 and are recorded in the Institutional Support classification on the Statement of Revenues, Expenses, and Changes in Net Position and in the Services and Supplies column below.

Expenses funded with the student portion of the COVID-19 relief funding as of June 30,2020 totaled $811. Expenses funded through the institutional portion of the COVID-19 relief funding as of June 30, 2020 totaled $1,388. All COVID-19 relief funding funded expenses in fiscal year 2020 were recorded in the Student Aid classification on the Statement of Revenues, Expenses, and Changes in Net Position and in the Scholarships & Fellowships column below. See "Note 1.Y. COVID-19 Relief Funding" for additional information on the nature of these funds.

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

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**	**1,078**	**-**	**1**	**-**	**3,402**
Academic Support	**5,326**	**3,225**	**-**	**2**	**-**	**8,553**
Student Services	**4,615**	**775**	**12**	**-**	**-**	**5,402**
Auxiliary Services	**5,932**	**3,669**	**22**	**1,526**	**-**	**11,149**
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)**	**4,282**	**-**	**3,243**	**-**	**7,521**
Total	**$ 61,528**	**$ 20,352**	**$ 7,028**	**$ 4,773**	**$ -**	**$ 93,681**

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

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, 2021	June 30, 2020
General Fund - Operations	$ 23,758	$ 22,895
General Fund - SELP Debt Service	179	179
Lottery Funding	1,373	1,067
Total Appropriations	$ 25,310	$ 24,141

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, 2020 and 2019 are as follows (dollars in millions):

	June 30, 2020	June 30, 2019
Total Pension Liability	$ 90,143	$ 87,501
Plan Fiduciary Net Position	68,319	70,204
Collective Net Pension Liability	$ 21,824	$ 17,297

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 PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. The University is unaware of any changes made subsequent to the measurement date of June 30, 2020.

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.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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.

Employer contribution rates for the fiscal years ended June 30, 2021 and June 30, 2020 were based on the December 31, 2019 actuarial valuation. The employer contribution rates for the PERS and OPSRP are as follows:

	2021	2020
Base PERS Tier One/Two Rate	**19.05%**	19.05%
SLGRP Rate	**1.71%**	1.71%
RHIA/RHIPA OPEB Rate	**0.45%**	0.45%
Total PERS Tier One/Two Rate	**21.21%**	21.21%
Base OPSRP Rate	**12.77%**	12.77%
SLGRP Rate	**1.71%**	1.71%
RHIA/RHIPA OPEB Rate	**0.27%**	0.27%
Total OPSRP Rate	**14.75%**	14.75%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2021 and June 30, 2020 were $3,916 and $4,390, 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, 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. At June 30, 2020, the University reported a liability of $34,506 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. 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, 2021, SOU's proportion was 0.19 percent of the statewide pension plan. At June 30, 2020, SOU's proportion was 0.20 percent of the statewide pension plan.

For the years ended June 30, 2021 and 2020, SOU recorded total pension expense of $8,831 and $8,401, 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, 2021 and 2020, 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, 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
Measurement period ended June 30, 2016 – 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 2021 and 2020.

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 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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

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

Of the amount reported as deferred outflows of resources, $3,745 were 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, 2021.

As of June 30, 2021, 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:	
2022	$ 1,551
2023	1,852
2024	1,606
2025	1,284
2026	(66)
	$ 6,227

Actuarial Methods and Assumptions

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

Actuarial Methods:		
As of:	**June 30, 2021**	**June 30, 2020**
Valuation Date	December 31, 2018	December 31, 2017
Measurement Date	June 30, 2020	June 30, 2019
Experience Study Report	2018, published July 2019	2016, published July 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service	
Mortality	*Healthy retirees and beneficiaries:*	
	Pub-2010 Healthy Retriee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	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.	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Disabled retirees:	
	Pub-2010 Disabled Retriee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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

Discount Rate

The discount rate used to measure the total pension liability at both June 30, 2021 and June 30, 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following tables present SOU's proportionate share of the net pension liability calculated using the applicable discount rates as of June 30, 2021 and 2020, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

As of:	June 30, 2021	June 30, 2020
1 % Decrease 6.20%	$ 61,970	$ 55,258
Current Discount Rate 7.20%	41,733	34,506
1 % Increase 8.20%	24,763	17,139

Depletion Date Projection

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

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

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

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

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 Equity	7.50	17.50	15.00
Opportunity Portfolio	0.00	3.00	0.00
Risk Parity	0.00	2.50	2.50
Total			100.00 %

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in 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)
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60	3.68
Bank/Leveraged Loans	3.60	5.19
High Yield Bonds	1.20	5.74
Large/Mid Cap US Equities	16.17	6.30
Small Cap US Equities	1.35	6.68
Micro Cap US Equities	1.35	6.79
Developed Foreign Equities	13.48	6.91
Emerging Market Equities	4.24	7.69
Non-US Small Cap Equities	1.93	7.25
Private Equity	17.50	8.33
Real Estate (Property)	10.00	5.55
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	1.50	4.06
Hedge Fund - Event-driven	0.38	5.59
Timber	1.13	5.61
Farmland	1.13	6.12
Infrastructure	2.25	6.67
Commodities	1.13	3.79
Assumed Inflation – Mean		2.50%

BOND DEBT

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

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

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal year 2021 was 5.60 percent. The assessment rate for fiscal year 2020 was 6.20 percent through October 31, 2019. The 2020 rate was decreased to 5.60 percent effective November 1, 2019. Payroll assessments for the fiscal years ended June 30, 2021 and 2020 were $1,296 and $1,480, 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:

	2021	2020
Tier One/Two	**27.20%**	27.20%
Tier Three	**9.85%**	9.85%
Tier Four	**8.00%**	8.00%

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Oregon Public Universities 401(a) Defined Contribution Plan

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

Summary of Defined Contribution Pension Payments

SOU total payroll for the year ended June 30, 2021 was $36,100, 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.

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

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

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

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, 2020 and June 30, 2019, respectively, are as follows (in millions):

Net OPEB - RHIA (Asset)	June 30, 2020	June 30, 2019
Total OPEB - RHIA Liability	$ 406.9	$ 435.6
Plan Fiduciary Net Position	610.7	628.9
Employer's Net OPEB - RHIA (Asset)	**$ (203.8)**	$ (193.3)

Net OPEB - RHIPA Liability	June 30, 2020	June 30, 2019
Total OPEB - RHIPA Liability	$ 64.3	$ 72.0
Plan Fiduciary Net Position	54.3	46.7
Employer's Net OPEB - RHIA Liability	**$ 10.0**	$ 25.3

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

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	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	3.00	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)
Core Fixed Income	9.60	4.07
Short-Term Bonds	9.60	3.68
Bank/Leveraged Loans	3.60	5.19
High Yield Bonds	1.20	5.74
Large/Mid Cap US Equities	16.17	6.30
Small Cap US Equities	1.35	6.68
Micro Cap US Equities	1.35	6.79
Developed Foreign Equities	13.48	6.91
Emerging Market Equities	4.24	7.69
Non-US Small Cap Equities	1.93	7.25
Private Equity	17.50	8.33
Real Estate (Property)	10.00	5.55
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	1.50	4.06
Hedge Fund - Event-driven	0.38	5.59
Timber	1.13	5.61
Farmland	1.13	6.12
Infrastructure	2.25	6.67
Commodities	1.13	3.79
Assumed Inflation – Mean		2.50%

Depletion Date Projection

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

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

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

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

i. RHIA

Contributions

The RHIA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2021 and June 30, 2020, the University contributed 0.06 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. The required employer contribution was approximately $5 for the year ended June 30, 2021 and $6 for the year ended June 30, 2020. The actual contribution equaled the annual required contribution for both fiscal years.

Net OPEB Asset

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. At June 30, 2020, the University reported an asset of $488 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. 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, 2021 and June 30, 2020, respectively, SOU's proportion was 0.08 and 0.25 percent of the statewide OPEB plan.

For the years ended June 30, 2021 and June 30, 2020, SOU recorded total OPEB expense of $66 and $(64), respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

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

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

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

Measurement period ended June 30, 2020 – 2.9 years
Measurement period ended June 30, 2019 – 3.1 years
Measurement period ended June 30, 2018 – 3.3 years

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

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2021 and 2020.

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 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, 2022.

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

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

Of the amount reported as deferred outflows of resources, $6 are 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, 2021.

As of June 30, 2021, 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:	
2022	$ 72
2023	80
2024	7
2025	5
2026	
	$ 164

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions:		
	RHIA	
	June 30, 2021	**June 30, 2020**
Valuation Date	December 31, 2018	December 31, 2017
Measurement Date	June 30, 2020	June 30, 2019
Experience Study Report	2018, published July 2019	2016, published July 2017
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 32%; Disabled retirees: 20%	Healthy retirees: 35%; 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	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Active members:	
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Disabled retirees:	
	Pub-2010 Disabled Retriee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	RP-2014 Disabled retriees, sex-distinct, generational with Unisex, Social Security Data Scale.

Discount Rate

The discount rate used to measure the total OPEB liability at both June 30, 2021 and June 30, 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Analysis

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

Discount Rate	June 30, 2021	June 30, 2020
1% Decrease 6.2%	$ (130)	$ (378)
Current Discount Rate 7.2%	(161)	(488)
1% Increase 8.2%	(188)	(582)

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, 2021	June 30, 2020
1% Decrease	$ (161)	$ (488)
Current Trend Rate	(161)	(488)
1% Increase	(161)	(488)

ii. RHIPA

Contributions

The RHIPA plan is funded through actuarially determined employer contributions.

For the fiscal years ended June 30, 2021 and June 30, 2020, the University contributed 0.12 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the University contributed 0.27 percent for the fiscal years ended June 30, 2021 and 2020 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 $76 for the year ended June 30, 2021 and $82 for the year ended June 30, 2020. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Liability

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. At June 30, 2020, the University reported a liability of $205 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. 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, 2021 and June 30, 2020, SOU's proportion was 0.72 percent and 0.81 percent, respectively, of the statewide OPEB plan.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

For the year ended June 30, 2021 and June 30, 2020, respectively, SOU recorded total OPEB expense of $18 and $37 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, 2021, 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, 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 2021 and 2020.

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 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

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

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

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

As of June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2022	$ (5)
2023	(4)
2024	(4)
2025	(12)
2026	(15)
Thereafter	(6)
	$ (46)

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, 2021	**June 30, 2020**
Valuation Date	December 31, 2018	December 31, 2017
Measurement Date	June 30, 2020	June 30, 2019
Experience Study Report	2018, published July 2019	2016, published July 2017
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	
Discount Rate	7.20 percent	
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	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%	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service
Healthcare Cost Trend Rate	Applied at beginning of plan year, starting with 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.	Applied at beginning of plan year, starting with 7.5% for 2017, decreasing to 5.2% for 2024, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2% for 2093 and beyond.
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	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation
	Active members:	
	Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Disabled retirees:	
	Pub-2010 Disabled Retriee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale.

Discount Rate

The discount rate used to measure the total OPEB liability at both June 30, 2021 and June 30, 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (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 30,2021	June 30,2020
1% Decrease 6.2%	$ 101	$ 244
Current Discount Rate 7.2%	72	205
1% Increase 8.2%	45	169

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, 2021	June 30, 2020
1% Decrease	$ 51	$ 154
Current Trend Rate	72	205
1% Increase	99	262

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, 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. At June 30, 2020, the University reported a liability of $1,539 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2020 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. 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, 2021, SOU's proportion was 1.01 percent of participating employers, while at June 30, 2020, SOU's proportion was 1.05 percent.

For the years ended June 30, 2021 and June 30, 2020, SOU recorded total OPEB expense of $96 and $133, 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, 2021, 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, 2021 – 8.6 years
Measurement period ended June 30, 2020 – 8.6 years
Measurement period ended June 30, 2019 – 8.2 years
Measurement period ended June 30, 2018 – 8.2 years

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2021 and 2020.

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
Changes in proportionate share	5	110
Differences between contributions and proportionate share of contributions	6	-
Total	$ 47	$ 303
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	$ (256)	

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

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

As of June 30, 2021, amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2022	(40)
2023	(40)
2024	(40)
2025	(40)
2026	(36)
Thereafter	(60)
	$ (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:		
	July 1, 2021	July 1, 2020
Valuation Date	July 1, 2019	July 1, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Discount Rate	2.16 percent	2.21 percent
Projected Salary Increases	3.50 percent	
Withdrawal, retirement, and mortality rates	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, 2021 and 2020 reporting date is 2.16 and 2.21 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, 2021	June 30, 2020
1% Decrease 1.16% /1.21%	$ 1,634	$ 1,650
Current Discount Rate 2.16% /2.21%	1,524	1,539
1% Increase 3.16% / 3.21%	1,421	1,435

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (DOLLARS IN THOUSANDS)

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, 2021	June 30, 2020
1% Decrease	$ 1,371	$ 1,385
Current Trend Rate	1,524	1,539
1% Increase	1,704	1,721

16.RISK FINANCING

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

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

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

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

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned, but not initiated, construction projects totaled approximately $8,908 and $18,089 at June 30, 2021 and 2020, 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, 2021.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2021

	Total Commitment	Completed to Date	Outstanding Commitment
Athletic Facilities	$ 502	$ 394	$ 108
Capital Repair	5,058	2,232	2,826
Central Hall	6,000	26	5,974
	$ 11,560	$ 2,652	$ 8,908

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, 2021.

18. SUBSEQUENT EVENTS

University management has reviewed events and transactions that occurred subsequent to the financial statement ending date of June 30, 2021 and have found none that required disclosure in the statements.

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, 2021 and 2020.

During the years ended June 30, 2021 and 2020, gifts of $2,346 and $3,019, 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 26-27 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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 3,250	$ 3,745	$ 2,809	$ 2,792	$ 2,006	$ 1,988	$ 1,587	$ 1,705	$ 1,671	$ 1,615
Contributions in relation to the contractually required contribution	3,250	3,745	2,809	2,792	2,006	1,988	1,587	1,705	1,671	1,615
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SOU's covered payroll	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980	$ 23,029	$ 22,465
Contributions as a percentage of covered payroll	13.1%	14.2%	10.6%	10.9%	8.1%	8.4%	7.1%	7.4%	7.3%	7.2%

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

As of the Measurement Date June 30,	2020	2019	2018	2017	2016	2015	2014	2013
SOU's proportion of the net pension asset / (liability)	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)	$ (41,733)	$ (34,506)	$ (32,662)	$ (30,120)	$ (27,369)	$ (11,423)	$ 4,707	$ (10,597)
SOU's covered payroll	$ 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	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)	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.

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

As of June 30,	2021	2020	2019	2018	2017
SOU's allocation of the total OPEB liability	1.01%	1.05%	1.05%	1.09%	1.10%
SOU's proportionate share of the total OPEB liability	$ 1,524	$ 1,539	$ 1,685	$ 1,618	$ 1,593
SOU's covered payroll	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	5.07%	4.48%	5.01%	4.86%	4.97%
Total OPEB Liability as a % of Total Covered Payroll	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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions[1]	$ 5	$ 6	$ 121	$ 117	$ 121	$ 115	$ 122	$ 126	$ 125	$ 123
Contributions in relation to the actuarially determined contributions	5	6	121	117	121	115	122	126	125	123
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987	$ 22,535	$ 21,962
Contributions as a percentage of covered payroll	0.02%	0.02%	0.46%	0.46%	0.49%	0.49%	0.54%	0.55%	0.55%	0.56%

[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,	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.08%	0.25%	0.24%	0.25%	0.20%
SOU's proportionate share of the net OPEB liability/(asset)	$ (161)	$ (488)	$ (263)	$ (105)	$ 54
SOU's covered payroll	$ 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	0.61%	1.84%	1.03%	0.42%	0.23%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	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.

*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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions[1]	$ 76	$ 82	$ 111	$ 109	$ 97	$ 93	$ 53	$ 55	$ 32	$ 31
Contributions in relation to the actuarially determined contributions	76	82	111	109	97	93	53	55	32	31
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987	$ 22,535	$ 21,962
Contributions as a percentage of covered payroll	0.31%	0.31%	0.42%	0.43%	0.39%	0.39%	0.24%	0.24%	0.14%	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,	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.72%	0.81%	0.81%	0.82%	0.68%
SOU's proportionate share of the net OPEB liability/(asset)	$ 72	$ 205	$ 285	$ 381	$ 365
SOU's covered payroll	$ 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	0.27%	0.77%	1.11%	1.53%	1.55%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	84.45%	64.86%	49.79%	34.25%	21.87%

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.

*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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