2019 ANNUAL FINANCIAL REPORT

Portland State
UNIVERSITY

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LET KNOWLEDGE SERVE THE CITY

Located on a 50-acre downtown campus, Portland State University is a nationally acclaimed leader in sustainability and community-based learning. The University's position in the heart of Oregon's economic and cultural center enables students and faculty to apply scholarly theory to the real-world problems of business and community organizations.

Portland State, Oregon's urban research university, offers more than 220 undergraduate, master's and doctoral degree options, as well as graduate certificates and continuing education programs. With more than 27,000 students who come from all 50 states and nearly 100 nations around the world, it is the state's most diverse campus.

VISION

Portland State University leads the way to an equitable and sustainable future through academic excellence, urban engagement, and expanding opportunity for all.

MISSION

- We serve and sustain a vibrant urban region through our creativity, collective knowledge, and expertise.
- We are dedicated to collaborative learning, innovative research, sustainability, and community engagement.
- We educate a diverse community of lifelong learners.
- Our research and teaching have global impact.

VALUES

- We promote access, inclusion, and equity as pillars of excellence.
- We commit to curiosity, collaboration, stewardship, and sustainability.
- We strive for excellence and innovation that solves problems.
- We believe everyone should be treated with integrity and respect.

STRATEGIC GOALS

GOAL 1
Elevate student retention and success.

GOAL 2
Innovate our student recruitment.

GOAL 3
Advance excellence in research.

GOAL 4
Expand our commitment to equity.

GOAL 5
Explore long-term strategies and challenges in the PSU Futures Initiative.

GOAL 6
Reach our goal in the PSU fundraising campaign.

GOAL 7
Enhance external relationships with legislators, public officials, and the public.


PORTLAND
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LOCAL GRIND
THE NORTH FACE

MESSAGE FROM THE INTERIM PRESIDENT

I AM HONORED TO SERVE AS INTERIM PRESIDENT of Portland State University. When I entered the President's Office in May, I appreciated the opportunity to help PSU move forward in new and exciting ways. After a productive and positive summer, I am proud of the progress we have made and the direction we are going.

Most importantly, we are renewing our **commitment to student success**. Of course, caring about student success is not new to us as Oregon's most diverse urban research university. It has been a major component of our mission to Let Knowledge Serve the City for decades. Now we are bringing a deeper focus and evidence-based innovation to our work.

I believe that everyone at PSU has a role in helping students succeed through the work they do on a daily basis. Since coming to PSU about a year ago, **Provost Susan Jeffords** has taken the lead in improving student retention, quality learning and graduation rates. During her first year here, she has energized our attention to student success, created cooperative teams, and led a major comprehensive approach to the educational success of our students.

We've organized the effort into four main focus areas, led by faculty co-chairs. They are:

- **Persistence:** We believe that every PSU student can succeed if given the opportunity and resources. We are boosting retention rates by using predictive analytic tools to identify the students most at risk of dropping out. We then give them the support they need to stay and graduate.
- **Academic Success:** Many of our students have a complex set of social, academic and financial needs that all play a role in impeding their academic success. We are knocking down those obstacles and stepping up our efforts to support students who may be struggling. To that end, we started a Transfer and Returning Student Support Center to ease the transition to PSU and helps students complete their degrees.
- **Affordability:** Our four-year tuition remains the second lowest in the state despite recent increases. Yet we know that many of our students must borrow money to pay for their education, and too much debt can be debilitating to students as they graduate. We are finding innovative ways to help students financially, including open-access textbooks and targeted aid to the students who need it the most.
- **Student Experience:** The student experience encompasses everything they do on campus, from registering for classes to checking out books from the library. We are improving our places, services, and processes across campus to make students feel welcome, safe and part of a community.

It was encouraging to hear U.S. News & World Report named Portland State among the **best universities in the nation for social mobility.** The new ranking shows we graduate more students with federal Pell Grants than any other campus in Oregon. This means we are succeeding at helping economically disadvantaged students obtain a college degree and move on to meaningful careers—a core part of our mission.

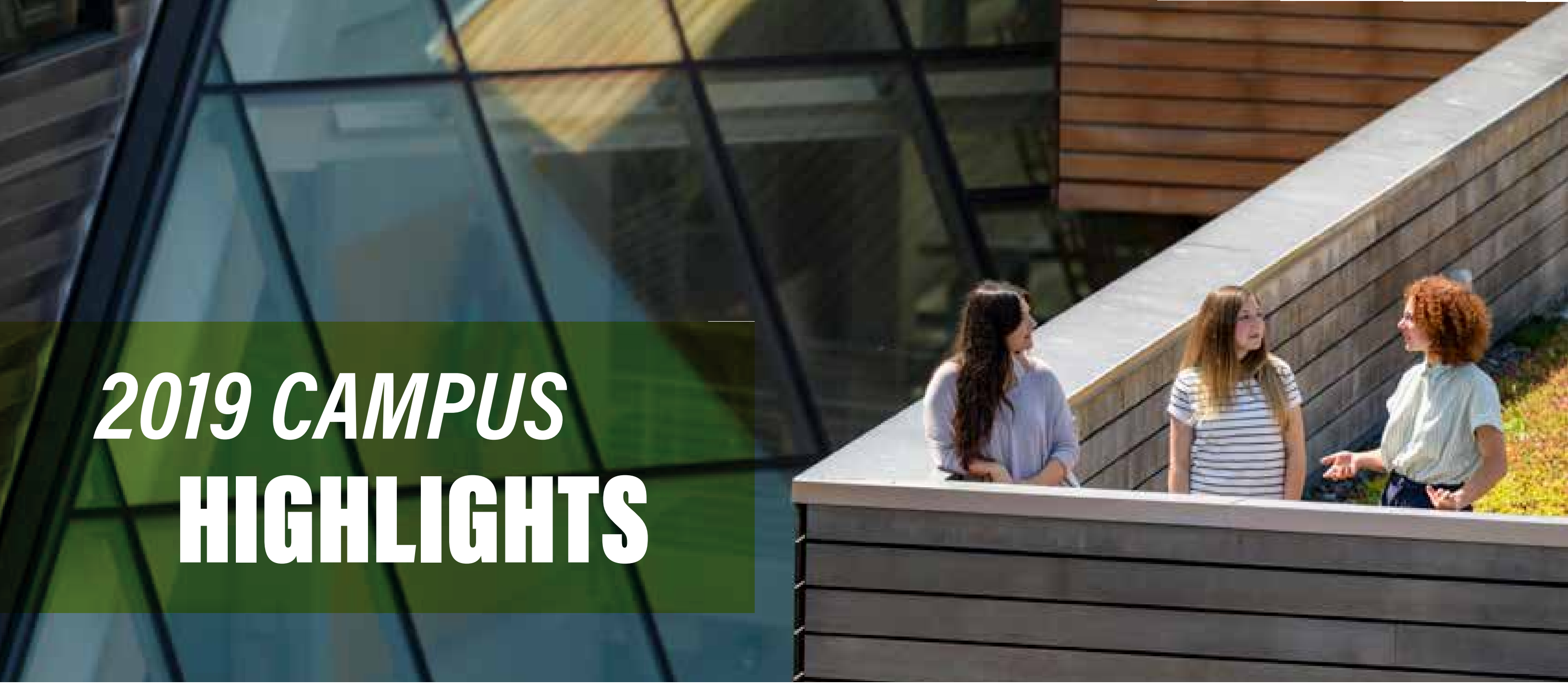
On the research front—another important part of our mission—PSU researchers were awarded several remarkable grants over the summer, and all together we saw an **8% growth in research funding**. Exemplifying our accomplishments are recent grants from the National Science Foundation, including:

- $353,000 for a project to study earthquake resilience in Nepal.
- $1.1 million grant for a project to improve undergraduate mathematics education.
- Nearly $5 million grant to improve access to STEM education for underrepresented students.

In another great sign of the public's faith in Portland State, we learned that the PSU Foundation **met its annual campaign goal** for the period ending June 30th. We are on track to complete our total comprehensive goal of $300 million, the largest such campaign in PSU's history.

I'm looking forward to working with the entire PSU community in the next year and seeing how far we can go together.

Thank you.
Stephen Percy
Interim President, Portland State University



2019 CAMPUS HIGHLIGHTS

- Portland State launched a new all-out effort to help more students graduate. The new student success initiative will get the right support to the right students at the right time with early academic advising, sophisticated data analysis, and frequent check-ins. The strategy includes a new Transfer + Returning Student Resource Center and innovative ways to make college more affordable, such as a new open-access textbook partnership.

- The former Neuberger Hall, one of PSU's oldest buildings, reopened after a $70 million renovation. The building is now known as Fariborz Maseeh Hall and houses vital student services, classrooms, and academic programs. The renovation was made possible by $60 million in public bond funds and $10 million in matching philanthropic gifts.

  - Portland businessman and philanthropist Jordan Schnitzer gave $5 million via the Jordan Schnitzer Family Foundation for a new art museum in the building.

  - PSU alumnus Fariborz Maseeh, Sc.D., a pioneer in microtechnology, also made a $5 million investment to help reinvent the building's spaces to support academic excellence and interdisciplinary connections.

- A $19.3 million grant from the National Institutes of Health (NIH) will allow Portland State to prepare more students from disadvantaged backgrounds to become top-level health sciences researchers. The BUILD EXITO program, which started with a $23.7 million grant from NIH five years ago, connects students with intensive scientific training, mentors, and an 18-month research position, where they work alongside research teams at PSU or OHSU.

- Three PSU schools and colleges—the School of Business, School of Social Work and College of Urban and Public Affairs—have started financial hardship funds designed to ensure students can remain in school. The hardship grants help students pay for expenses such as tuition, food, and childcare. The PSU Foundation is working to develop a centralized, campus-wide system to make it easier for all PSU students to apply for emergency financial relief.

- Portland State has received nearly $5 million from the National Science Foundation to improve access to science, technology, engineering, and math (STEM) education for underrepresented students. The five-year project will award scholarships and create a STEM career pathway for students from both PSU and Heritage University, a rural campus on the Yakama Reservation in Washington. Scholarship recipients can participate in research or internships related to environmental pollution in the Columbia River Basin and the Pacific Northwest.

- Portland State established two new university research centers focused on solving some of Portland's biggest challenges.

  - Portland businessman and philanthropist Jordan Schnitzer gave $5 million via the Jordan Schnitzer Family Foundation for a new art museum in the building.

  - The Digital City Testbed Center explores how technology can improve cities, while also addressing concerns about privacy, security, and equity.

- U.S. News & World Report ranked Portland State among the Top Performers on Social Mobility in its 2020 Best College Rankings. PSU is the top school in Oregon and No. 26 in the nation for graduating students with federal Pell Grants. The grants are awarded to students with family incomes under $50,000, with the most money going to students with less than $20,000 in total family income.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Portland State University (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2019 and 2018 financial statements of the discretely presented component unit, the Portland State University Foundation (the Foundation). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The Message from the President has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Portland State University (PSU) for the years ended June 30, 2019, 2018, and 2017.

Annual Full Time Equivalent Student Enrollment Summary

	2019	2018	2017	2016	2015
Annual FTE	**20,237**	20,653	20,995	21,206	21,389

Understanding the Financial Statements

The MD&A is intended to foster a greater understanding of PSU's financial activities and provides an objective analysis of PSU's financial activities based on currently known facts, decisions and conditions. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements, which have the following six components.

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

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

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

Statement of Cash Flows (SCF) provides information about PSU'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 PSU 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.

PSU's supporting foundation is discretely presented as a **component unit** in PSU's financial statements with related disclosures in Notes 1 and 18.

The MD&A compares the results of current and prior years. Unless otherwise noted, all years refer to the fiscal year ended June 30.

All references to pension expense in the MD&A are associated with defined benefit pension obligations accounted for under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* (referred to in combination as GASB No. 68), which was adopted at the beginning of fiscal year 2015. All references to other postemployment benefits (OPEB) are associated with postemployment benefits other than pensions accounted for under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75), which was adopted at the beginning of fiscal year 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

Financial Net Position Summary

Net Position increased $70 million in 2019 compared to a $5 million decrease in 2018. This was primarily due to an increase in capital grant revenues from the State of Oregon, positive investment returns and an emphasis on increasing reserves.

The Net Position decrease of $5 million in 2018 was primarily due to pension expense, the closeout of the Federal Perkins Loan Program and a prior period adjustment resulting from the adoption of GASB No. 75 for OPEB, partially offset by capital grant revenues from the State of Oregon and higher State of Oregon appropriations.

Statements of Net Position

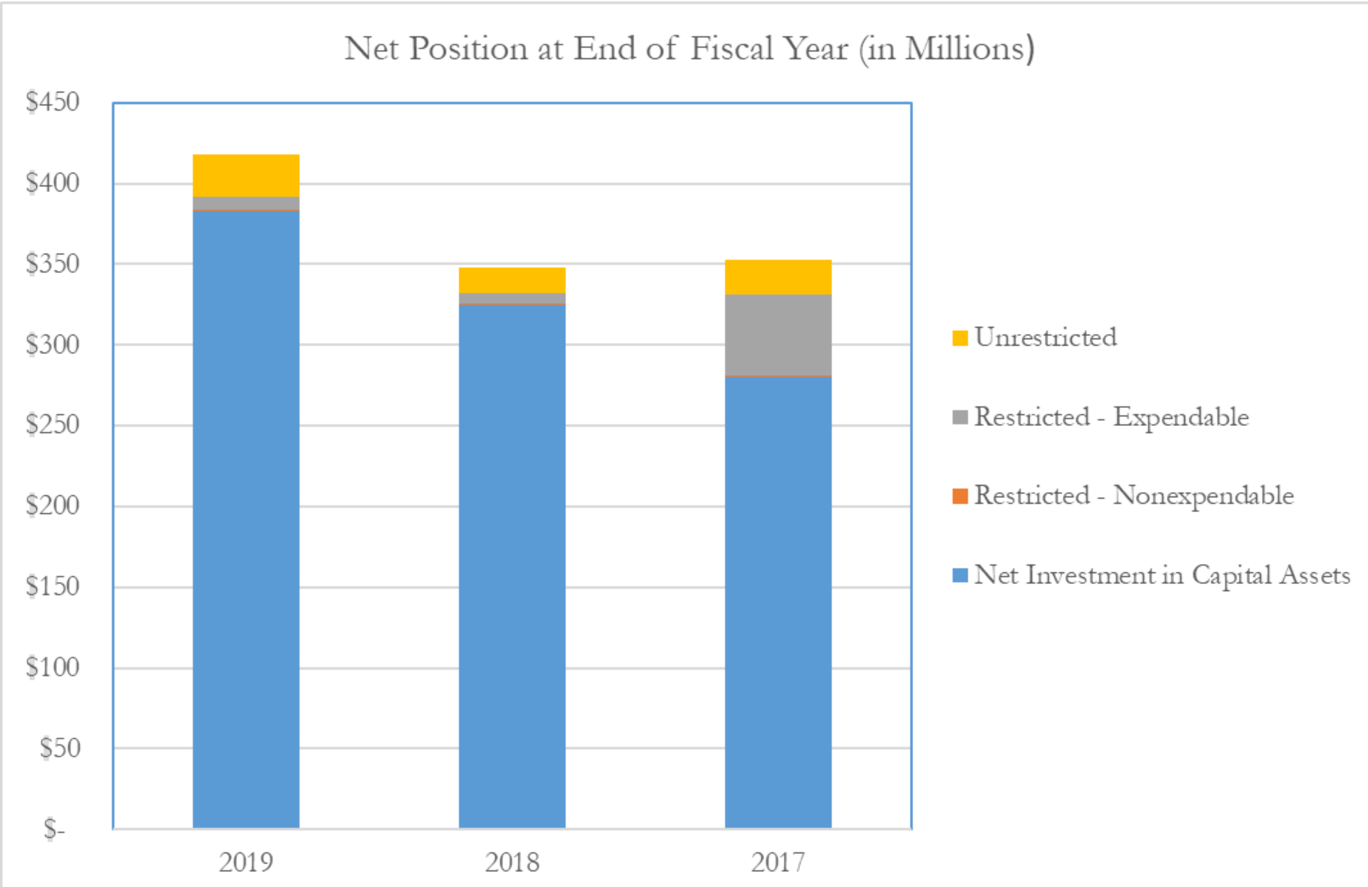
The term "Net Position" refers to the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources and is an indicator of PSU's current financial condition. Changes in net position that occur over time indicate improvement or deterioration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

Condensed Statements of Net Position (in millions)

As of June 30,	**2019**	2018	2017
Current Assets	**$ 185**	$ 140	$ 143
Noncurrent Assets, excluding Capital Assets, Net	**125**	112	117
Capital Assets, Net	**605**	553	520
Total Assets	**$ 915**	$ 805	$ 780
Deferred Outflows of Resources	**$ 55**	$ 54	$ 76
Current Liabilities	**$ 141**	$ 105	$ 96
Noncurrent Liabilities	**387**	403	405
Total Liabilities	**$ 528**	$ 508	$ 501
Deferred Inflows of Resources	**$ 24**	$ 3	$ 2
Net Investment in Capital Assets	**$ 383**	$ 325	$ 280
Restricted - Nonexpendable	**1**	1	1
Restricted - Expendable	**8**	6	50
Unrestricted	**26**	16	22
Total Net Position	**$ 418**	$ 348	$ 353

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

The following graph presents the composition of net position at June 30, 2019, 2018, and 2017.



Total Net Position

Total Net Position increased $70 million to $418 million at June 30, 2019 and decreased $5 million to $348 million at June 30, 2018, including a $4 million prior period adjustment resulting from the adoption of GASB No. 75. The components of Total Net Position changed as follows:

- **Net Investment in Capital Assets** increased $58 million during 2019 to $383 million due to capital asset additions of $79 million and repayments of long-term debt of $13 million, partially offset by $28 million of depreciation expense and newly issued debt of $6 million. Net Investment in Capital Assets increased $45 million during 2018 to $325 million due to capital asset additions of $61 million and repayments of long-term debt of $12 million, partially offset by $27 million of depreciation expense and $1 million in retirements.
- **Net Position Restricted for Nonexpendable Endowments** was consistent from year to year.
- **Restricted Expendable Net Position** increased $1 million during 2019 due to a $676 thousand increase in the University's Other Post Employment Benefit Assets and other small cash increases. Restricted Expendable Net Position decreased $44 million during 2018 to $6 million primarily due to spend down of gift, sponsorship and other funds for the Peter Stott Center & Viking Pavilion renovation, the Karl Miller Center (PSU's School of Business renovation and expansion) and the Neuberger Hall renovation, as well as due to the closeout of the Federal Perkins Loan Program

- **Unrestricted Net Position** increased $11 million during 2019 to $27 million primarily due to a decrease in pension expense of $9 million. Unrestricted Net Position decreased $6 million during 2018 to $16 million primarily due to pension expense under GASB No. 68 and a $4 million prior period adjustment from the adoption of GASB No. 75, partially offset by increased Cash and Cash Equivalents and Investments not associated with amounts restricted for capital projects in part due to a $6 million increase in State of Oregon appropriations.

Total Assets and Liabilities

Total Assets increased $110 million, or 12%, and $25 million, or 3% during the years ended June 30, 2019 and 2018, respectively. Total Liabilities increased $40 million, or 7% and $7 million, or 1%, during 2019 and 2018, respectively. Current Assets exceeded Current Liabilities at both June 30, 2019 and 2018.

- **Current Assets** increased $45 million, or 24%, and decreased $3 million, or 2%, during 2019 and 2018, respectively. The increase during 2019 was primarily due to an increase of $31 million in Cash and Cash Equivalents resulting from receiving funds in advance of payments from our joint partners in the Fourth and Montgomery Construction Project and $13 million in amounts Due from Primary Government for the same project and the Neuberger Hall renovation. The decrease during 2018 was primarily due to an $11 million decrease in amounts Due from Primary Government mainly due to the winding down of the Peter Stott Center & Viking Pavilion and Karl Miller Center projects, partially offset by an increase due to ramping up of the Neuberger Hall renovation. This net increase was partially offset by a $7 million increase in Cash and Cash Equivalents.
- **Noncurrent Assets**, excluding Capital Assets, Net of Accumulated Depreciation, increased $13 million during 2019 primarily due to an increase in Investments and decreased $5 million during 2018 due to the closeout of the Federal Perkins loan Program.
- **Capital Assets, Net** increased $52 million and $33 million during 2019 and 2018, respectively. See "Changes to Capital Assets" in this MD&A for additional information.
- **Deferred Outflows of Resources** remained relatively consistent during 2019 compared to 2018. Deferred Outflows of Resources decreased $22 million during 2018 primarily due to actual plan investment earnings exceeding projections, partially offset by higher post measurement date pension contributions. Deferred outflows at June 30, 2018 also include $1 million as a result of the adoption of GASB No. 75.
- **Current Liabilities** increased $36 million in 2019 and $9 million in 2018.
  - **Accounts Payable and Accrued Liabilities** increased $4 million at June 30, 2019 mainly due to an increase in payables and retainage at year end related to work on Capital Projects, specifically the Forth and Montgomery Building. An increase of $6 million at June 30, 2018 was mainly due to timing of payments and $1 million owed to the U.S. Department of Education as a result of the closeout of the Federal Perkins Loan Program.
  - **Deposits** increased $33 million in 2019, due to receiving funds in advance of payments from our partners related to the construction of the Fourth and Montgomery building and were consistent from 2017 to 2018
  - **Current Portion of Long-Term Liabilities** was relatively consistent from 2018 to 2019 and increased nearly $1 million during 2018 due to increases in amounts coming due for notes payable to the State of Oregon for Article XI-F(1) General Obligation Bonds.
  - The current portion of **Unearned Revenue** was relatively consistent from 2018 to 2019 and increased $1 million during 2018 primarily due to sponsorship fees.

- **Noncurrent Liabilities** decreased $16 million in 2019 and $2 million in 2018
  - **Net Pension Liability** decreased $10 million during 2019 due to a decrease in the total pension liability at the plan level and a decrease in the University's proportionate share. Net pension liability decreased $4 million during 2018 primarily due to the significant decrease in Deferred Outflows, partially offset by $31 million of pension expense.
  - The **Net Other Postemployment Liability** was consistent from 2018 to 2019 and increased $8 million from 2017 to 2018 due to the adoption of GASB No. 75 for OPEB discussed at Notes 1 and 14.
  - **Long-Term Liabilities** decreased $8 million due to $15 million of payments on long-term debt and other obligations and $6 million of additions from a new Loan Agreement with HECC for the construction of the Fourth and Montgomery Building. Long-Term Liabilities decreased $18 million, or 7%, during 2018 primarily due to $13 million of payments on long-term debt and other obligations and $3 million due to the adoption of GASB No. 75, replacing the previous accounting for certain of PSU's other postemployment benefits.
  - The non-current portion of **Unearned Revenue** increased $3 million during 2019 due to a grant from Proper Portland in support of the Fourth & Lincoln project. In 2018, the non-current portion of Unearned Revenue increased $11 million due to over $9 million of grants from Prosper Portland to help fund PSU's Fourth & Montgomery Building project and an anticipated land purchase associated with a future construction project, as well as an additional $2 million of sponsorships.
- **Deferred Inflows of Resources** increased $21 million in 2019 due to a significant decrease in the University's proportionate share creating a $15 million deferred inflow as well as plan investments performing better than actuarially projection, creating a $6 million deferred inflow. Deferred Inflows of Resources increased $1 million in 2018 due to changes in pension related deferrals and the adoption of GASB No. 75 for OPEB.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

Statements of Revenues, Expenses and Changes in Net Position

Due to the classification of certain revenues as nonoperating revenue, similar to most public higher educational institutions, PSU shows a loss from operations. State government appropriations, financial aid grants and other nonexchange grants and non-capital gifts, although considered nonoperating revenue under GASB Statement No. 35, *Basic Financial Statements – And Management's Discussion and Analysis – For Public Colleges and Universities – An Amendment of GASB Statement No. 34* (GASB No. 35), and reflected accordingly in the nonoperating section of the SRECNP, are used solely for operating purposes. The following summarizes the revenue and expense activity of PSU:

Condensed Statements of Revenues, Expenses and Changes in Net Position (in millions)

For the Year Ended June 30,	**2019**	2018	2017
Operating Revenues	**$ 361**	$ 355	$ 353
Operating Expenses	**528**	526	504
Operating Loss	**(167)**	(171)	(151)
Nonoperating Revenues, Net of Nonoperating Expens	**170**	143	141
Other Expenses, Gains, Losses and Transfers	**67**	27	57
Increase (Decrease) in Net Position	**70**	(1)	47
Net Position, Beginning of Year	**348**	353	306
Adjustment to Beginning Net Position, GASB No. 75	**-**	(4)	-
Restated Net Position, Beginning of Year	**348**	349	306
Net Position, End of Year	**$ 418**	$ 348	$ 353

Changes in Net Position

Net Position increased $70 million during 2019 and decreased $5 million during 2018 (including the prior period adjustment related to GASB No. 75) and increased $47 million during 2017. Refer to changes in the components of Net Position under Total Net Position above.

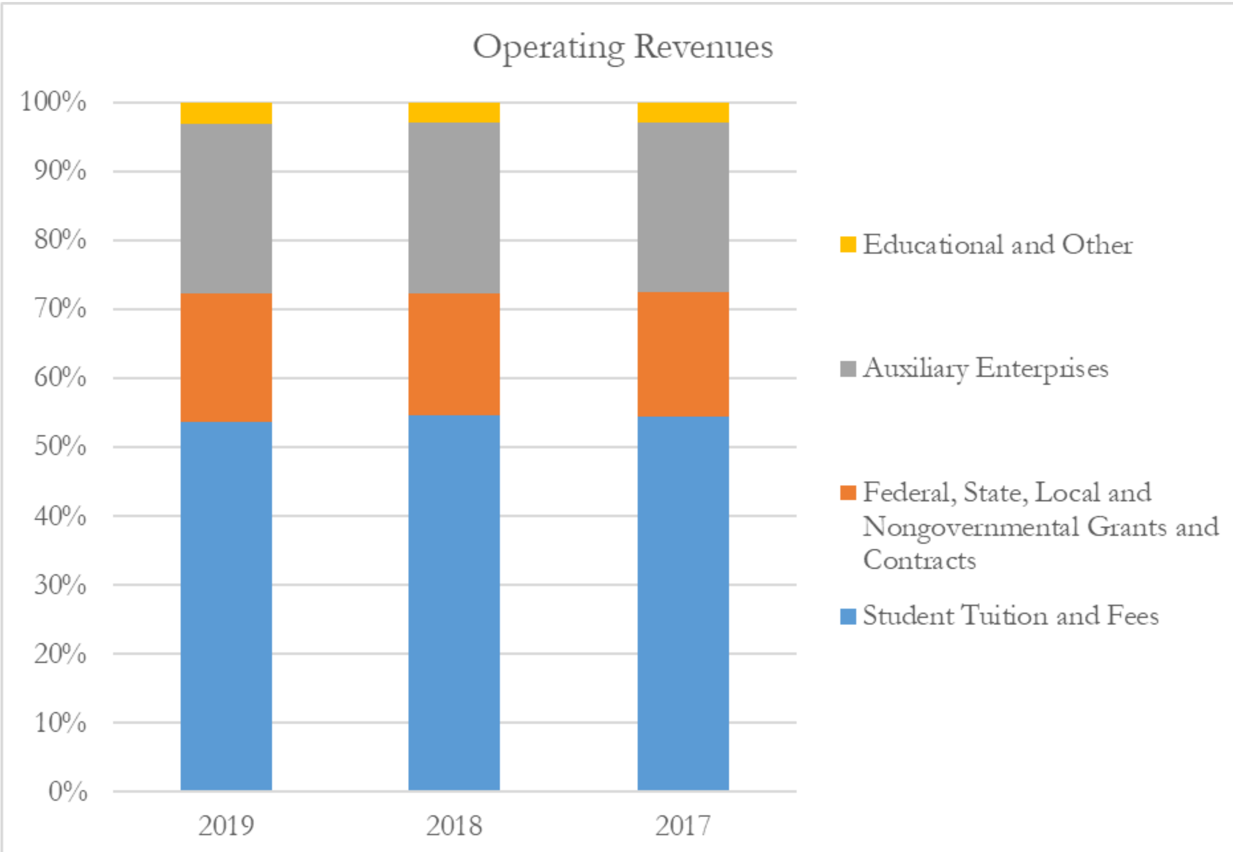
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

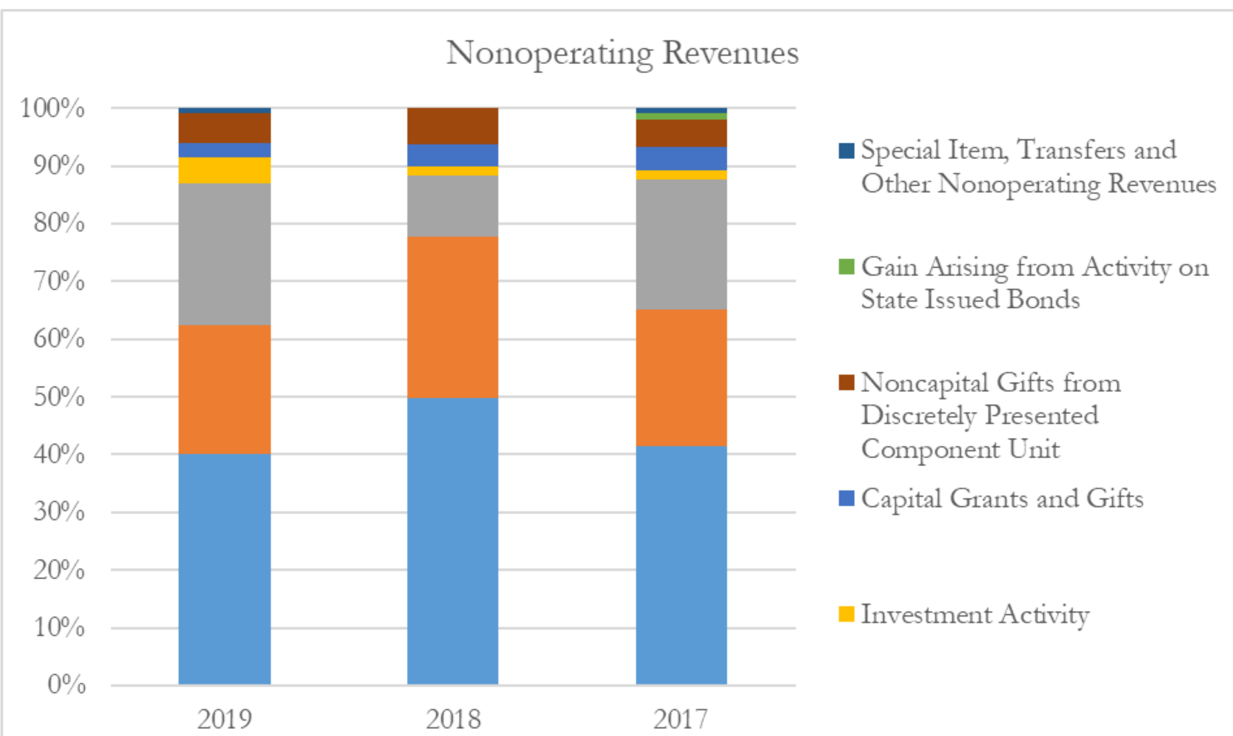
Total Operating, Nonoperating and Other Revenues (in millions)

For the Year Ended June 30,	**2019**	2018	2017
Student Tuition and Fees	**$ 194**	$ 194	$ 192
Federal, State, Local and Nongovernmental Grants and Contracts	**67**	63	64
Auxiliary Enterprises	**89**	88	87
Educational and Other	**11**	10	10
Total Operating Revenues	**361**	355	353
Government Appropriations	**98**	94	88
Financial Aid Grants	**55**	53	50
Investment Activity	**11**	3	3
Gain Arising from Activity on State Issued Bonds	**-**	-	2
Noncapital Gifts from Discretely Presented Component Unit	**13**	12	10
Capital and Debt Related State Appropriations and Grants	**60**	20	48
Capital Grants and Gifts	**6**	7	9
Gain on Disposal of Assets, Net	**2**	-	-
Special Item, Transfers and Other Nonoperating Revenues	**2**	-	2
Total Nonoperating and Other Revenues	**247**	189	212
Total Revenues	**$ 608**	$ 544	$ 565

Total Revenues increased $64 million, or 11%, in 2019 compared to 2018 and decreased $21 million, or 4%, in 2018 compared to 2017. The following graphs present the composition of Operating Revenues and Nonoperating and Other Revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)





MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

Operating Revenues

Operating Revenues increased $6 million, or nearly 2% to $361 million in 2019 compared to 2018 and increased $2 million, or nearly 1%, to $355 million in 2018 compared to 2017as a result of the changes described below.

Student Tuition and Fees Revenues was relatively unchanged in 2019 compared to 2018. There was an increase in tuition rates of 3.95% and 3.64% for resident and nonresident undergraduate, 3.24% and 4.14% for resident and nonresident graduate students and a 2.17% increase in mandatory fees. However, there was an overall decline in student credit hours of 1.7%, including a 4.3% decrease in non-resident student credit hours and a 1% decrease in resident student credit hours, with annual full time equivalent student enrollment decreasing slightly to 20,237 in 2019 from 20,653 in 2018.

Student Tuition and Fees Revenues increased $2 million, or 1%, in 2018 compared to 2017. The increase was primarily due to tuition rate increases of 5.4% and 5.2% for resident and nonresident undergraduate students; tuition rate increases of 9.0% and 5.0% for resident and nonresident graduate students; and a 4.8% in mandatory fees for all students; partially offset by a $2 million increase in remissions. The increase in tuition and fees revenues were further offset by an overall 1.6% decline in student credit hours, including a 2.9% decrease in non-resident student credit hours and a 1.2% decrease in resident student credit hours. Overall annual full time equivalent student enrollment decreased slightly to 20,653 in 2018 from 20,995 in 2017.

Federal, State, Local and Nongovernmental Grants and Contracts Revenues increased $4 million, or 6%, in 2019 compared to 2018 and decreased $1 million, or 2%, in 2018 compared to 2017.

- Federal Grants and Contracts Revenues increased $4 million in 2019 compared to 2018 which included increased revenues from the National Institute of Health in support of an undergraduate research training program for under-represented students in the health sciences. Federal Grants and Contracts Revenue decreased $1 million in 2018 compared to 2017 due to changes across a variety awards, including lower revenues from the National Science Foundation.
- State and Local Grants and Contracts Revenues increased $1 million in 2019 as compared to 2018 due to an increase in revenue across a variety of awards and were relatively consistent in 2018 compared to 2017.
- Nongovernmental Grants and Contracts Revenues were relatively consistent in 2019 compared to 2018 and in 2018 compared to 2017.

Auxiliary Enterprises Revenues were relatively consistent in 2019 compared to 2018 and increased $1 million, or 1%, in 2018 compared to 2017 primarily due to increases in incidental fees and parking revenues

Educational and Other Operating Revenues increased $1 million in 2019 compared to 2018, mainly due to higher foreign government grants and contracts revenue and were relatively consistent in 2018 compared to 2017.

Nonoperating and Other Revenues increased $58 million, or 22%, in 2019 compared to 2018 and decreased $23 million, or 11%, in 2018 compared to 2017.

- **Government Appropriations Revenues** increased $4 million and $6 million in 2019 and 2018, respectively, due to higher funding received from the State of Oregon.
- **Capital and Debt Related State Appropriations and Grants Revenues** increased $40 million in 2019 and decreased $28 million in 2018. The 2019 increase was due primarily to cost reimbursements from bonds issued by the State of Oregon on behalf of two capital projects; the construction of the Fourth & Montgomery building and the renovation of Neuberger Hall. The decrease in 2018 was due to the winding down of the Viking Pavilion & Peter Stott Center and Karl Miller Center projects, partially offset by the ramping up of the Neuberger Hall project. Refer to Note 8 for additional information regarding these grant agreements with the State of Oregon.

- **Financial Aid Grants Revenues** increased $2 million, or 4%, in 2019 compared to 2018 due to an increase in money received from the Oregon Opportunity Grant and the Pell Grant. Financial Aid Grants Revenues increased $3 million 2018 compared to 2017 primarily due to changes in regulations allowing Pell grants to be used for summer term.
- **Investment Activity** increased $8 million in 2019 compared to 2018 and 2018 was consistent compared to 2017. The increase in investment in 2019 was primarily a result of rising bond prices that supported significant price appreciation in the value of the core bond fund.
- **Capital Grants and Gifts Revenues**, which include capital gifts from the PSU Foundation, were relatively flat in 2019 compared to 2018. Captial Grants and Gifts Revenue, decreased $2 million in 2018 compared to 2017 primarily due to lower gifts for the Viking Pavilion & Peter Stott Center and Karl Miller Center projects, partially offset by gifts for the Neuberger Hall renovation.
- **Noncapital Gifts from Discretely Presented Component Unit** increased $1 million in 2019 compared to 2018 and increased $2 million in 2018 compared to 2017.
- **Gain on Disposal of Assets, Net** was a $2 million gain in 2019 due to the sale of the President's residence and a net loss in 2018 as described below in Loss on Disposal of Assets, net.
- **Special Item, Transfers and Other Nonoperating** were $2 million in 2019 and were a net expense in 2018 due to close out of the Federal Perkins Loan Program as described below under Other Nonoperating expense. 2019 was consistent with 2017 as there were no Special Items to report.

Expenses

Operating Expenses

Operating expenses increased $2 million, or .4%, to $528 million during 2019 compared to 2018. There was a $9 million decrease in pension expense offset by increases in expenses. Operating expenses increased $22 million, or 4%, to $526 million during 2018 compared to 2017 primarily due to increases in salaries, wages and employee benefits, including the impact of collective bargaining agreements and the State of Oregon mandated increase to minimum wage.

The following summarizes operating expenses by functional classification.

Operating Expense by Function (in millions)

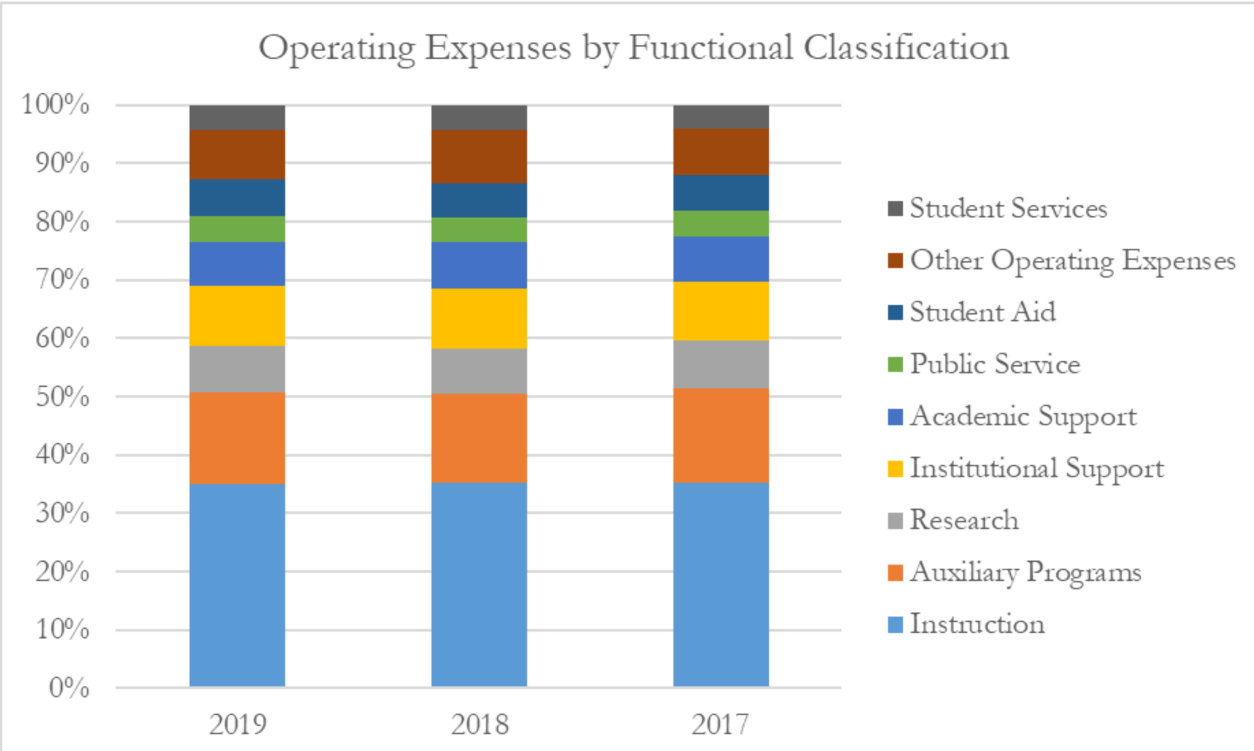
For the Year Ended June 30,	**2019**	2018	2017
Instruction	**$ 185**	$ 185	$ 178
Auxiliary Programs	**83**	81	81
Research	**42**	40	41
Institutional Support	**54**	55	51
Academic Support	**40**	41	39
Student Aid	**34**	31	30
Public Service	**23**	23	23
Student Services	**22**	23	20
Other Operating Expenses	**45**	47	41
Total Operating Expenses	$ 528	$ 526	$ 504

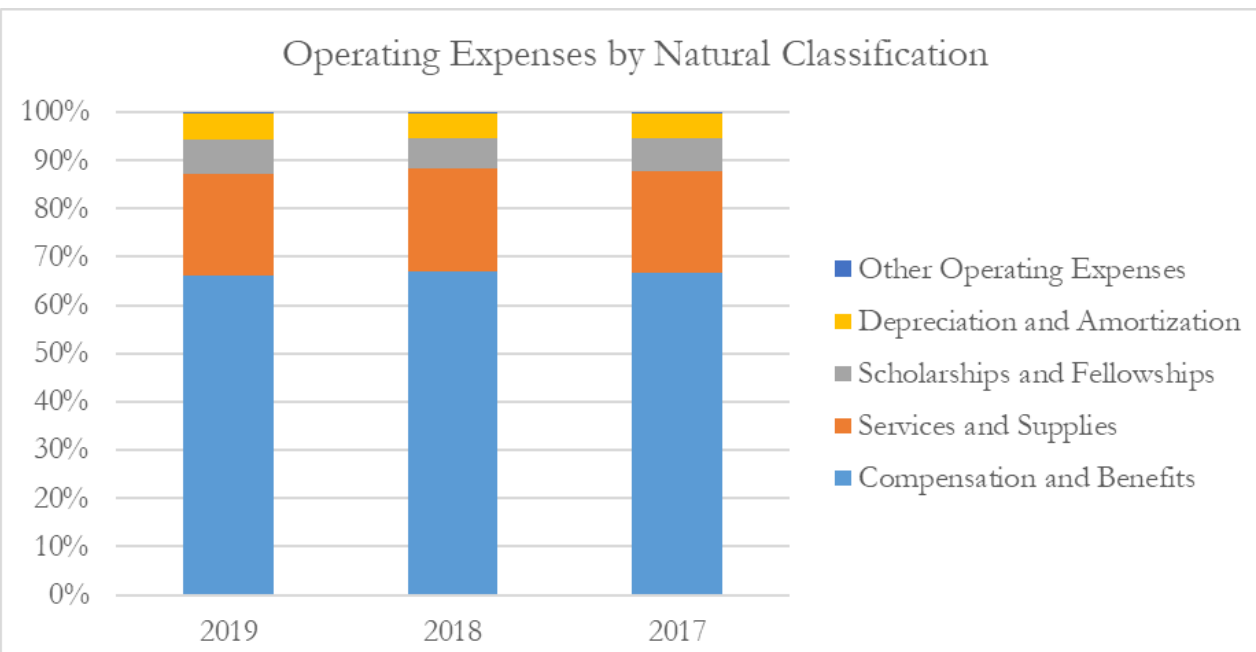
Due to the way in which expenses are incurred by PSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expense by Natural Classification (in millions)

For the Year Ended June 30,	**2019**	2018	2017
Compensation and Benefits	**$ 349**	$ 352	$ 336
Services and Supplies	**112**	112	106
Scholarships and Fellowships	**37**	34	34
Depreciation and Amortization	**28**	27	26
Other Operating Expenses	**2**	1	2
Total Operating Expenses	**$ 528**	$ 526	$ 504


Operating Expenses by Functional Classification
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2019
2018
2017
Student Services
Other Operating Expenses
Student Aid
Public Service
Academic Support
Institutional Support
Research
Auxiliary Programs
Instruction


Operating Expenses by Natural Classification
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2019
2018
2017
Other Operating Expenses
Depreciation and Amortization
Scholarships and Fellowships
Services and Supplies
Compensation and Benefits

FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017 (DOLLARS IN MILLIONS)

Compensation and Benefits costs decreased $3 million, or 1% in 2019 compared to 2018 and increased $16 million, or 5%, in 2018 compared to 2017 primarily due to:

- A $9 million decrease in pension expense in 2019 was related to the University's decrease in overall proportionate share and a $3 million increase in pension expense in 2018 was related to an increase in overall proportionate share.
- Compensation and benefits costs other than pension expense increased $7 million during 2019 and $12 million during 2018 primarily to an increase in salaries and wages, including the impacts of collective bargaining agreements in both years, as well as an increase in minimum wage each year mandated by the State of Oregon.

Services and Supplies expense remained constant in 2019 and increased $6 million during 2018. The 2018 increase was primarily due to abatement and temporary relocation costs associated with the Neuberger Hall renovation.

Scholarships and Fellowships expenses increased $3 million, or 8% in 2019 compared to 2018 primarily by an increase in the Oregon Opportunity Grant and Pell recipients. Scholarships and Fellowships were relatively consistent in 2018 compared to 2017.

Depreciation and Amortization expense increased $1 million, or 1% during 2019 primarily due to the Viking Pavilion Expansion and Remodel being placed into service in March 2018 and increased $1 million, or 1% during 2018 due primarily to the Karl Miller Center being place into service in September 2017.

Other Operating Expenses were relatively consistent across 2019, 2018 and 2017.

Nonoperating Expenses

For the Year Ended June 30,	**2019**	2018	2017
Interest Expense	**$ (11)**	$ (12)	$ (12)
Other Nonoperating Expense, Net	-	(6)	-
Loss on Disposals of Assets, Net	-	(1)	(1)
Total Nonoperating Expenses	**$ (11)**	$ (19)	$ (13)

Interest Expense was relatively consistent in 2019 compared to 2018 and 2018 compared to 2017.

Net Other Nonoperating was a net gain in 2019 as described above and an expense of $6 million in 2018 was driven by the assignment of loans to the U.S. Department of Education as a result of the closeout of the Federal Perkins Loan Program described at Note 4.

Loss on Disposal of Assets, Net was a net gain in 2019 as described above under Gain on Disposal of Asset, and a $1 million loss in 2018 due to asset retirements associated with the Neuberger Hall renovation in 2018.

Capital Assets and Related Financing Activities

Changes to Capital Assets (in millions)

For the Year Ended June 30,	**2019**	**2018**	2017
Capital Assets, Beginning of Year	**$ 970**	**$ 917**	$ 863
Add: Purchases/Construction	**79**	**61**	60
Less: Retirements/Disposals/Adjustments	**(3)**	**(8)**	(6)
Total Capital Assets, End of Year	**$ 1,046**	**$ 970**	$ 917
Accum. Depreciation, Beginning of Year	**(417)**	**(397)**	(376)
Add: Depreciation Expense	**(28)**	**(27)**	(26)
Less: Retirements/Disposals/Adjustments	**4**	**7**	5
Total Accum. Depreciation, End of Year	**$ (441)**	**$ (417)**	$ (397)
Total Capital Assets, Net, End of Year	**$ 605**	**$ 553**	$ 520

During 2019, capital asset additions totaled $79 million and were mainly due to continued work on Neuberger Hall and the Fourth & Montgomery projects and the purchased of land at 4th and Lincoln. During 2018, capital asset additions totaled $61 million and were mainly due to the Peter Stott Center & Viking Pavilion, Neuberger Hall, Karl Miller Center and Fourth & Montgomery projects. The Fourth & Montgomery additions included the purchase of the land for the project for which new construction is expected to begin in late 2018 or early 2019. During 2017, capital asset additions totaled $60 million and were mainly due to the Karl Miller Center and renovation of the Peter Stott Center & Viking Pavilion.

Accumulated depreciation increased $24 million during 2019 due to $28 million of depreciation expense, partially offset by asset retirements, which included the sale of the president's residence. Accumulated depreciation increased $20 million during 2018 due to $27 million of depreciation expense, partially offset by asset retirements, including disposals related to the Neuberger Hall renovation that resulted in a $1 million loss.

PSU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing PSU's deferred maintenance backlog. State, federal, private, debt and internal PSU funding are used to accomplish PSU's capital objectives.

Capital Commitments

PSU had outstanding capital commitments on partially completed and planned construction projects of $106 million at June 30, 2019, included $82 million for the Fourth & Montgomery project. See Note 16 for additional information relating to capital construction commitments.

Debt Administration

As described in Note 8, the State of Oregon issues general obligation bonds on behalf of PSU to support its capital renewal and construction projects. Bonds issued on behalf of PSU under Oregon Constitution Article XI-(F)(1) are repaid with PSU revenue streams and thus give rise to a note payable to the State of Oregon. Bonds issued under Articles XI-G and XI-Q are repaid by the State and thus are recorded as capital grants revenue from the State of Oregon.

During 2019, the State of Oregon issued $6 million of Article XI-(F)(1) debt on behalf of PSU in conjunction with its development of a mixed use facility, known as the Fourth & Montgomery project and there were no new Article XI-(F)(1) bonds issued on behalf of PSU in 2018. Repayments of long-term debt due to the State of Oregon were $12 million during 2019 and 2018.

During 2019 and 2018, PSU incurred eligible expenditures under the State's cost reimbursable Articles XI-G and XI-Q bond programs that gave rise to $58 million and $18 million, respectively, of capital state grants revenue.

Economic Outlook

Overall funding for the major activities of PSU continues to be diversified, being generated through a variety of sources including tuition and fees, financial aid programs, State appropriations, grant and contracts through government and private sources, donor gifts and investment earnings. While there have been declines in full time equivalent student enrollment and student credit hour production over the last 5 years, PSU has seen modest growth in tuition revenues through rate increases. Recapturing the enrollment loss is a priority for PSU looking forward.

For the near future (2019-2021), PSU is predicting a continuing enrollment decline but anticipates an ability to continue to increase overall tuition revenue through further rate increases and more strategic use of discounting. Additionally, PSU will continue to investigate areas available for cost controls to achieve balanced budgets. In cooperation with the other public universities of the state while working with the Oregon Legislature, PSU was successful in receiving authorization for capital projects significantly financed by state debt and garnering greater financial support for education and general operations for the 2017-2019 and 2019-2021 bienniums. In the 2017-2019 biennium, the State of Oregon appropriated an additional $70 million to the Public University Support Fund, which serves all seven of Oregon's public universities. Then, in June 2019, the State of Oregon signed into law House Bill 5024, which appropriated an additional $100 million to the 2019-2021 Public University Support Fund. These increases along with the adoption of the Higher Education Coordinating Commission's Student Success and Completion funding model have resulted in significant increases in PSU's State appropriations.

On the longer term (2021-2023), while diverse revenue streams continue to provide stability for the university, PSU will face increasing costs, primarily associated with labor expenditures embodied in collective bargaining agreements and benefits costs arising from Public Employees Retirement System pension obligations. PSU will need to increase tuition revenue through both additional rate increases and a reversal of enrollment declines. Continued significant increases in the level of State support are uncertain. If tuition and State appropriation revenues are insufficient to cover the anticipated cost increases, PSU will use cost containment to ensure a balanced budget. Despite these challenges, the PSU Board of Trustees remains committed to ensuring the long-term financial health of PSU to carry out its core mission.

STATEMENTS OF NET POSITION

As of June 30,		University 2019		University 2018
		(in thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	99,328	$	68,451
Collateral from Securities Lending		6,737		7,576
Due from Primary Government		24,939		12,179
Accounts Receivable, Net		51,342		49,021
Notes Receivable, Net		115		129
Inventories		593		634
Prepaid Expense		2,303		2,255
Total Current Assets		185,357		140,245
Noncurrent Assets				
Investments		122,558		110,536
Notes Receivable – Noncurrent, Net		67		114
Net Other Postemployment Benefits Asset		1,167		491
Other Noncurrent Assets		250		250
Due from Primary Government		900		-
Capital Assets, Net of Accumulated Depreciation		604,905		553,426
Total Noncurrent Assets		729,847		664,817
TOTAL ASSETS	$	915,204	$	805,062
DEFERRED OUTFLOWS OF RESOURCES	$	54,625	$	54,215
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	$	39,019	$	34,747
Obligations Under Securities Lending		6,737		7,576
Deposits		42,865		10,025
Current Portion of Long-Term Liabilities		23,486		23,666
Unearned Revenues		29,096		29,578
Total Current Liabilities		141,203		105,592
Noncurrent Liabilities				
Unearned Revenues	$	22,894	$	19,604
Net Pension Liability		130,218		140,322
Other Postemployment Benefits Liability		8,043		8,326
Long-Term Liabilities		226,053		234,427
Total Noncurrent Liabilities		387,208		402,679
TOTAL LIABILITIES	$	528,411	$	508,271
DEFERRED INFLOWS OF RESOURCES	$	23,888	$	3,595
NET POSITION				
Net Investment in Capital Assets	$	383,064	$	324,864
Restricted for:				
Nonexpendable Endowments		1,285		1,285
Expendable:				
Gifts, Grants and Contracts		1,419		1,049
Capital Projects		3,572		3,490
Student Loans		638		511
Other Postemployment Benefits Asset		1,167		491
Unrestricted		26,385		15,721
TOTAL NET POSITION	$	417,530	$	347,411

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

STATEMENTS OF FINANCIAL POSITION

As of June 30,	Component Unit 2019	2018
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	**$ 6,268**	$ 9,035
Contributions, Pledges and Grants Receivable, Net	**15,014**	14,066
Investments	**117,800**	107,367
Prepaid Expenses and Other Assets	**2,875**	4,876
Property and Equipment, Net	**2,988**	3,644
Total Assets	**$ 144,945**	$ 138,988
LIABILITIES		
Accounts Payable and Accrued Liabilities	**$ 1,098**	$ 1,092
Accounts Payable to University	**1,514**	912
Notes Payable and Capital Lease Commitments	**1,956**	2,692
Obligations to Beneficiaries of Split-Interest Agreements	**2,114**	1,599
Endowments Held for University	**2,534**	2,549
Total Liabilities	**$ 9,216**	$ 8,844
NET ASSETS		
Without donor restrictions		
Available for general operations and programs	**$ 6,142**	$ 4,735
Net investment in real estate activities	**1**	2
With donor restrictions		
Undistributed endowment earnings	**4,063**	3,798
Other funds	**125,523**	121,609
Total Net Assets	**135,729**	130,144
TOTAL LIABILITIES AND NET ASSETS	**$ 144,945**	$ 138,988

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30,	University 2019	University 2018
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances)	$ 193,994	$ 194,144
Federal Grants and Contracts	45,603	41,828
State and Local Grants and Contracts	16,350	15,326
Nongovernmental Grants and Contracts	5,266	5,408
Educational Department Sales and Services	5,941	6,263
Auxiliary Enterprises Revenues (Net of Allowances)	88,610	88,050
Other Operating Revenues	5,540	4,260
Total Operating Revenues	361,304	355,279
OPERATING EXPENSES		
Instruction	184,996	185,025
Research	42,248	40,016
Public Service	23,138	22,944
Academic Support	39,672	40,815
Student Services	21,900	23,076
Auxiliary Programs	83,346	81,372
Institutional Support	53,825	54,609
Operation and Maintenance of Plant	22,219	20,502
Student Aid	34,238	30,507
Other Operating Expenses	22,624	27,549
Total Operating Expenses	528,206	526,415
Operating Loss	(166,902)	(171,136)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations	97,743	94,344
Financial Aid Grants	55,484	52,539
Investment Activity	11,126	2,608
Gain (Loss) on Disposal of Assets, Net	1,884	(1,226)
Interest Expense	(10,968)	(11,656)
Noncapital Gifts from Discretely Presented Component Unit	12,897	11,661
Other Nonoperating Items	2,197	(5,661)
Total Nonoperating Revenues (Expenses)	170,363	142,609
Loss Before Other Expenses, Gains, Losses and Transfers	3,461	(28,527)
Capital and Debt Related State Appropriations and Grants	60,315	20,329
Capital Grants and Gifts	6,343	6,797
Total Other (Expenses), Gains, (Losses) and Transfers	66,658	27,126
Increase (Decrease) In Net Position	70,119	(1,401)
NET POSITION		
Beginning Balance	347,411	353,249
Adjustment to Beginning Net Position, GASB No. 75 (Note 1)		(4,437)
Beginning Balance, as Restated	347,411	348,812
Ending Balance	$ 417,530	$ 347,411

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

STATEMENTS OF ACTIVITIES

For The Year Ended June 30,	Component Unit 2019			(In thousands) 2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions and grants	**$ 1,275**	**$ 20,207**	**$ 21,482**	$ 1,613	$ 29,065	30,678
Special Events	**601**	**414**	**1,015**	687	712	1,399
Portland State University Contract Revenue	**7,725**	**-**	**7,725**	7,489	-	7,489
Investment Income (Loss), Net	**1,331**	**3,488**	**4,819**	123	3,731	3,854
Rental Income	**462**	**-**	**462**	462	-	462
Other Revenues	**3**	**259**	**262**	73	306	379
Net Assets Released From Restrictions and Other Transfers	**20,189**	**(20,189)**	**-**	20,321	(20,321)	-
Total Revenues, Gains, and Other Support	**$ 31,586**	**$ 4,179**	**$ 35,765**	$ 30,768	$ 13,493	44,261
EXPENSES						
University Support	**20,012**	**-**	20,012	20,221	-	20,221
General and Administrative	**3,718**	**-**	3,718	4,572	-	4,572
Other Expenses	**6,450**	**-**	6,450	5,648	-	5,648
Total Expenses	**30,180**	**-**	**30,180**	30,441	-	30,441
Increase (Decrease) In Net Assets	**1,406**	**4,179**	**5,585**	327	13,493	13,820
Beginning Balance, Net Assets	**4,737**	**125,407**	**130,144**	4,410	111,914	116,324
Ending Balance, Net Assets	**$ 6,143**	**$ 129,586**	**$ 135,729**	$ 4,737	$ 125,407	130,144

STATEMENTS OF CASH FLOWS

		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	**$**	**195,030**	$	196,815
Grants and Contracts		**66,270**		61,331
Educational Department Sales and Services		**5,941**		6,263
Auxiliary Enterprises Operations		**86,329**		89,976
Payments to Employees for Compensation and Benefits		**(341,136)**		(332,653)
Payments to Suppliers		**(113,404)**		(111,408)
Student Financial Aid		**(37,348)**		(34,534)
Other Operating Receipts		**4,993**		3,952
Net Cash Provided Used by Operating Activities		**(133,325)**		(120,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations		**97,743**		94,344
Financial Aid Grants		**55,484**		52,539
Other Gifts and Private Contracts		**1,159**		2,310
Noncapital Gifts from Discretely Presented Component Unit		**11,358**		12,705
Net Agency Fund Receipts (Payments)		**32,840**		20
Net Cash Provided by Noncapital Financing Activities		**198,584**		161,918
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital and Debt Related State Appropriations and Grants		**52,125**		31,678
Capital Grants and Gifts		**9,896**		15,945
Bond Proceeds from Capital Debt		**575**		-
Proceeds from Sales of Capital Assets		**2,214**		-
Purchases of Capital Assets		**(74,328)**		(60,846)
Interest Payments on Capital Debt		**(11,200)**		(12,110)
Principal Payments on Capital Debt		**(12,768)**		(12,013)
Net Cash Used by Capital and Related Financing Activities		**(33,486)**		(37,346)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments		**(7,227)**		(1,673)
Interest and Earnings on Investments and Cash Balances		**6,331**		4,802
Net Cash Provided (Used) by Investing Activities		**(896)**		3,129
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**30,877**		7,443
CASH AND CASH EQUIVALENTS				
Beginning Balance		**68,451**		61,008
Ending Balance	**$**	**99,328**	$	68,451

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

STATEMENTS OF CASH FLOWS—CONTINUED

For the Years Ended June 30,		University 2019		University 2018
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$	**(166,902)**	$	(171,136
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense		**27,543**		26,898
Changes in Assets and Liabilities:				
Accounts Receivable		**(1,732)**		(205
Notes Receivable		**24**		29
Inventories		**41**		44
Prepaid Expenses		**(48)**		163
Other Non Current Assets		**-**		(250
Accounts Payable and Accrued Liabilities		**1,488**		2,722
Net Pension Liability and Related Deferrals		**9,540**		19,130
Other Post Employement Benefit Asset/(Liability) and Related Deferrals		**(720)**		2,963
Long-Term Liabilities		**(1,527)**		(3,851
Unearned Revenue		**(1,032)**		3,235
NET CASH USED BY OPERATING ACTIVITIES	$	**(133,325)**	$	(120,258
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Capital Assets Acquired by Gifts in Kind	$	**287**	$	342
Federal Perkins Loan Program Notes Receivable Assigned to U.S. Department of Education		**-**		(6,962
Increase (Decrease) in Fair Value of Investments Recognized as a a Component of Investment Activity		**4,795**		(2,194
General Obligation Bonds XI-F (1) Issued on Cost Reimbursement Basis		**6,045**		

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The PSU financial reporting entity is reported under the heading of University on the Basic Financial Statements. The PSU reporting entity also includes the PSU Foundation, which is reported as a discretely presented component unit (DPCU) in the PSU financial statements. See "Note 18 University Foundation" for additional information relating to this component unit, including how to obtain the PSU Foundation's audited financial statements that should be read in conjunction with these financial statements. Organizations that are not financially accountable to PSU, such as booster and alumni organizations, are not included in the reporting entity.

PSU and the PSU Foundation are reported as a discretely presented component unit in the Comprehensive Annual Financial Report (CAFR) issued by the State of Oregon (State). These financial statements present only PSU and its discretely presented component unit and are not intended to present the financial position, changes in financial position or the cash flows of the State as a whole.

B. FINANCIAL STATEMENT PRESENTATION

PSU financial accounting records are maintained in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35, *Basic Financial Statements – And Management's Discussion and Analysis – For Public Colleges and Universities – An Amendment of GASB Statement No. 34*, provides a comprehensive, entity-wide perspective of PSU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows. Financial statements of the PSU Foundation are presented in accordance with GAAP prescribed by the Financial Accounting Standards Board.

In preparing the financial statements, significant transactions and balances between university funds have been eliminated. Unless otherwise stated, dollars are presented in thousands.

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75). PSU adopted GASB No. 75 effective July 1, 2017, replacing the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requiring liabilities to be established for defined benefit postemployment plans other than pensions, including plans administered through trusts. As disclosed in Note 9, PSU recorded a $4,437 reduction in net position at July 1, 2017, representing the net effect of the adoption of GASB No. 75 as of that date. PSU established a $491 Net Other Postemployment Benefits Asset and a $8,326 Net Other Postemployment Benefits Liability at June 30, 2018 with total deferred outflows of $1,116 and total deferred inflows of $681. Other postemployment benefits (OPEB) expense under GASB No. 75 was $809 during the year ended June 30, 2018.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB No. 83), which require entities to recognize liabilities and corresponding deferred outflows of resources when certain criteria to perform future asset retirement activities for a tangible capital assets are present. GASB No. 83 was effective July 1, 2018 and did not have a material impact on PSU's financial statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB No. 88). GASB No. 88 requires additional debt-related disclosures be included in the notes to the financial statements, including unused lines of credit; assets pledged as collateral; events of default and termination events that would trigger finance-related consequences; and significant subjective acceleration clauses. GASB No. 88 was effective for reporting periods beginning after June 15, 2018 and did not have a material impact on PSU's disclosures.

UPCOMING ACCOUNTING STANDARDS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB No. 84), which establishes criteria for identifying fiduciary activities and requires certain reporting requirements. In determining whether a fiduciary activity exists, GASB No. 84 focuses on whether the entity is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. GASB No. 84 is effective for reporting periods beginning after December 15, 2018. PSU is currently evaluating the impact of adopting GASB No. 84 on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB No. 87). The objective of GASB No. 87 is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB No. 87 is effective for reporting periods beginning after December 15, 2019. PSU is currently evaluating the impact of adopting GASB No. 87 on its financial statements and disclosures.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB No. 14 & No. 61,* (GASB No. 90). The objectives of GASB No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Further, it defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. GASB No. 90 is effective for reporting periods beginning after December 15, 2018. PSU is currently evaluating the impact of adopting GASB No. 90 on its financial statements and disclosures.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, (GASB No. 91). The objectives of GASB No. 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB No. 91 is effective for reporting period beginning after December 15, 2020. PSU is currently evaluating the impact of adopting GASB No. 91 on its financial statements and disclosures.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of cash on hand, amounts held by the State in the Oregon Short-Term Fund (OSTF) and agency funds.

E. Investments

Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), and may include amounts restricted for endowments. Unrealized gains or losses on investments are reported as investment activity in the Statements of Revenues, Expenses and Changes in Net Position (SRECNP).

GASB No. 72 requires that investments be recorded at fair value using the three levels of the fair value hierarchy described below.

Level 1 inputs – This is the first and most reliable level and is based on quoted prices for assets or liabilities in active markets that governments can access at a particular date.

Level 2 inputs – This level is based on inputs that are directly or indirectly observable but lack quoted prices in active markets.

Level 3 inputs – This is the lowest level of reliability and is based on prices that cannot be observed.

F. Inventories

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

G. Capital Assets

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

Effective July 1, 2017, PSU adopted GASB No. 89 requiring that interest costs no longer be capitalized. Prior to the adoption of GASB No. 89, PSU capitalized interest expense on construction projects that were partially or fully funded by XI-F(1) debt.

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 10 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 or historical treasures, or library special collections.

H. Deferred Outflows of Resources

Deferred Outflows of Resources represent expected future decreases in net position. At June 30, 2019, deferred outflows were $54,625, comprised of $53,267 related to defined benefit pension plans and $1,359 related to defined benefit OPEB plans. Included in these amounts were $13,108 and $1,028 of contributions made subsequent to the measurement date for the pension and OPEB plans, respectively At June 30, 2018, deferred outflows were $54,215, comprised of $53,099 related to defined benefit pension plans and $1,116 million related to defined benefit OPEB plans. Included in these amounts were $12,033 and $997 of contributions made subsequent to the measurement date for the pension and OPEB plans, respectively. Refer to Notes 13 and 14 for additional information.

I. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities, including long-term sponsorships that relate to subsequent fiscal years.

J. Compensated Absences

PSU 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. Sick leave is recorded as an expense when paid as there is no payout provision for unused sick leave.

K. Deferred Inflows of Resources

Deferred Inflows of Resources represent future increases in net position. At June 30, 2019, deferred inflows were $23,888, comprised of $22,725 associated with defined benefit pension plans and $1,163 associated with defined benefit OPEB plans. At June 30, 2018, deferred inflows were $3,595, comprised of $2,914 associated with defined benefit pension plans and $681 associated with defined benefit OPEB plans. Refer to Notes 13 and 14 for additional information.

L. Net Position

PSU 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 that PSU 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. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first. Although no external restrictions are in place, PSU internally designated certain amounts for debt service as described in Note 2.

M. Endowments

PSU entered into a fund management agreement with the PSU Foundation in June 2014. All investments and reinvestment of the endowment funds are managed in accordance with the Oregon Uniform Prudent Management of Institutional Funds Act. Current PSU Foundation policy is to annually distribute up to 4.5% of the endowment fund's average fair value over the prior 12 quarters through March 31 of the prior fiscal year.

Nonexpendable Endowments on the Statements of Net Position of $1,285 at June 30, 2019 and 2018, respectively, represent the original corpus of true endowment funds and does not include the accumulated gains on those endowments.

N. Income Taxes

PSU is an agency of the State and is treated as a governmental entity for tax purposes. As such, PSU is generally not subject to federal and state income taxes. However, PSU 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 provision has been recorded because quarterly estimated payments are made during the year for the amount of unrelated business income tax generated.

O. Revenues and Expenses

PSU 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, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, PSU 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.

P. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. PSU has two types of scholarship allowances that net into tuition and fees. Tuition and housing remissions, provided directly by PSU, amounted to $21,103 and $22,738 for the fiscal years ended 2019 and 2018, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants and Oregon Opportunity Grants) and scholarships used for paying student tuition and fees and campus housing were estimated to be $30,371 and $27,961 for the fiscal years ended 2019 and 2018, respectively. Bad debt expense is included as an allowance to operating revenues and was $2,032 and $1,994 for the fiscal years ended 2019 and 2018, respectively.

Q. Direct Federal Student Loan Programs

PSU receives proceeds from the Federal Direct Student Loan Program. Since PSU transmits these grantor-supplied proceeds without having administrative or direct financial involvement in the program, these loans are reported in an agency fund. Federal student loans received by PSU students but not reported in in the SRECNP were $114,662 and $121,842 for the fiscal years ended 2019 and 2018, respectively.

R. Use of Estimates

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

2. CASH AND INVESTMENTS

The Public University Fund (PUF) maintains centralized management for substantially all of PSU's cash and investments. The invested assets are managed through investment pools at the Oregon State Treasury (State Treasury), which commingle the invested assets of all member universities, including PSU, in the OSTF and fixed income investments in the PUF's Core Bond Fund. Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

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 possible that such changes could materially affect the amounts reported in the financial statements.

At June 30, 2019 and 2018, PSU had $18,452 and $10,380 of cash and cash equivalents and investments associated with matching funds unconditionally available for specified capital projects, respectively. Additionally, at June 30, 2019 and 2018, PSU had $21,380 and $21,707 of cash and cash equivalents and investments internally designated for debt service, respectively.

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

PSU maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the OSTF. The OSTF is a cash and investment pool for use by all state agencies. The State Treasury invests these deposits in high-grade short-term investment securities. At June 30, 2019 and 2018, PSU cash and cash equivalents on deposit in the OSTF at State Treasury were $98,697 and $66,677, respectively.

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 97301-3896 or by linking to oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. Since PSU cash balances held on deposit at the State Treasury are invested consistently, 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 in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

PSU has certain cash balances that are not on deposit at State Treasury. At June 30, 2019 and 2018, PSU had cash on deposit of $563 and $1,731 that was covered by FDIC insurance up to $250 with amounts in excess of $250 collateralized with securities held by the pledging financial institution. At June 30, 2019 and 2018, PSU had vault and petty cash balances of $68 and $43, respectively.

B. Investments

At June 30, 2019, PSU's investments included $120,025 held in the PUF's Core Bond Fund and $2,534 of endowments held at the PSU Foundation with a nonexpendable corpus of $1,285. At June 30, 2018, PSU's investments included $107,987 held in the PUF's core bond fund managed by State Treasury and $2,549 of endowments held at the PSU Foundation with a nonexpendable corpus of $1,285.

The PUF investment policy is governed by the Oregon Investment Council (OIC). In accordance with Oregon Revised Statutes (ORS), all investments are managed as would a prudent investor, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the OIC. The PUF Core Bond Fund is not rated by a nationally recognized statistical rating organization although the portfolio rules provide minimum requirements with respect to the credit quality of the investments.

Due to PSU's participation in the PUF, it is not required to provide detailed disclosures otherwise required under GASB No. 72 nor is its investment in the PUF required to be separately valued under GASB No. 72 as the PUF values all funds at fair value in accordance with GASB No. 72. Investments held by the PUF are predominately valued using Level 2 inputs.

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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 PSU's portion of the PUF's 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, 2019 and 2018.

Investments are all classified as noncurrent and include both restricted (if any) and unrestricted funds. Earnings on investments from restricted fund sources are spent in accordance with the restrictions on the funding source. Investments held by the PSU Foundation are primarily valued used Level 1 and Level 2 inputs.

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. The PUF investment policy requires the following minimum credit standards at the time of purchase: (a) for investments in non-U.S. government securities, a minimum rating of Aa2, AA or AA by Moody's Investors Services, Standard & Poor's or Fitch, respectively; (b) for municipal debt securities, a minimum rating of A3, A- or A- by Moody's Investors Services, Standard & Poor's or Fitch, respectively; (c) for corporate debt securities, a minimum investment rating by at least one of the noted rating agencies; and (d) for both asset-based securities and commercial mortgage-backed securities, a AAA rating.

Based on these parameters, as of June 30, 2019, approximately 93 percent of investment 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 $209,190 at June 30, 2019. Fixed income securities that have not been evaluated by the rating agencies totaled $106,502 at June 30, 2019. The PUF Investment Pools totaled $338,348 at June 30, 2019, of which PSU owned $120,025, or 35.5 percent.

Based on these parameters, as of June 30, 2018, approximately 92 percent of investment 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 $269,463 at June 30, 2018. Fixed income securities that have not been evaluated by the rating agencies totaled $76,122 at June 30, 2018. The PUF Investment Pools totaled $375,496 at June 30, 2018, of which PSU owned $107,987, or 28.8 percent.

CUSTODIAL CREDIT RISK

Custodial credit risk refers to PUF investments that are held by others and not registered in PUF's or the State Treasury's name. This risk typically occurs in repurchase agreements where one transfers cash to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions around securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

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

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. No amounts of the PUF investments had reportable foreign currency risk at years ended June 30, 2019 and 2018.

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. For the years ended June 30, 2019 and 2018, securities in the PUF Investment Pool held subject to interest rate risk totaling $315,692 and $345,585 with an average duration of 3.39 and 3.73, respectively. Duration measures the change in the value of a fixed-income security that will result from a one percent change in interest rates.

C. Securities Lending

In accordance with the State investment policies, the State Treasury participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of PSU's proportionate share of securities, held in the PUF, pursuant to a form of loan agreement, in accordance with OSTF and Core Bond Fund investment policies. There have been no significant violations of the provisions of securities lending agreements. Amounts reported on PSU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by the PUF in total.

The State's securities lending agent lent short-term fixed-income securities and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State may pledge or sell the collateral securities received only in the event of a borrower default. The State has the ability to impose restrictions on the amount of the loans that the securities lending agent made on its behalf. Several such restrictions were made during the years ended June 30, 2019 and 2018. The State is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities. The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for the PUF's securities on loan. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State's name. The cash collateral of PUF securities on loan was invested and maintained by the custodial agent, into U.S. Agency Securities, U.S. Treasury and Corporate notes. The investments were held by a third-party custodian in the State's name.

The State Treasury and borrowers maintain the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.

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3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component unit, were comprised of the following:

	June 30, 2019	June 30, 2018
Student Tuition and Fees	$ 28,462	$ 31,473
Auxiliary Enterprises and Other Operating Activities	9,176	7,444
Federal Grants and Contracts	9,967	9,824
PSU Foundation	1,465	876
State, Other Government, and Private Gifts, Grants and Contracts	8,521	6,313
Other	2,404	1,858
	59,995	57,788
Less: Allowance for Doubtful Accounts	(8,653)	(8,767)
Accounts Receivable, Net	$ 51,342	$ 49,021

Amounts Due from Primary Government of $24,939 and $12,179 at June 30, 2019 and 2018, respectively, were attributable to cost reimbursable State bond proceeds for capital projects.

4. NOTES RECEIVABLE

During 2018, PSU made substantial progress towards the closeout of the Federal Perkins Loan Program resulting in notes receivable at June 30, 2018 of $43 with additional amounts subsequently assigned. During 2018, PSU recognized a loss of $6,962 as a result of loans assigned to the U.S. Department of Education during the year. In conjunction with the assignments, allowance for doubtful accounts associated with Perkins notes receivable was reduced by $1,085, partially offsetting the loss. PSU also incurred a loss of $1,183 during 2018 based on amounts anticipated to be returned to the U.S. Department of Education for its Federal capital contribution to PSU's Perkins loan program. The net impact of these Perkins closeout activities are included in Other Nonoperating Items in the SRECNP.

Notes Receivable were comprised of the following:

	June 30, 2019			June 30, 2018		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 109	$ -	$ 109	$ 127	$ -	$ 127
Auxiliary	6	61	67	-	73	73
Federal Student Loans	-	6	6	2	41	43
	$ 115	$ 67	$ 182	$ 129	$ 114	$ 243

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5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2017	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2018	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2019
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 52,269	$ 7,490	$ -	$ -	$ 59,759	$ 6,015	$ -	$ (14)	$ 65,760
Capitalized Collections	3,162	41	-	-	3,203	741	-	-	3,944
Construction in Progress	82,820	16,184	(78,924)	(159)	19,921	58,191	(2,875)	(156)	75,081
Total Capital Assets, Non-depreciable/Non-amortizable	138,251	23,715	(78,924)	(159)	82,883	64,947	(2,875)	(170)	144,785
Capital Assets, Depreciable/ Amortizable:									
Equipment	53,781	2,515	11	(1,443)	54,864	2,896	22	(3,095)	54,687
Library Materials	86,072	252	-	(625)	85,699	247	-	(577)	85,369
Buildings	587,393	34,857	78,913	(6,385)	694,778	10,902	2,853	(396)	708,137
Land Improvements	5,550	-	-	-	5,550	236	-	-	5,786
Improvements Other Than Buildings	5,303	-	-	-	5,303	-	-	-	5,303
Infrastructure	31,734	193	-	12	31,939	231	-	-	32,170
Intangible Assets	8,488	-	-	-	8,488	-	-	-	8,488
Total Capital Assets, Depreciable/Amortizable	778,321	37,817	78,924	(8,441)	886,621	14,512	2,875	(4,068)	899,940
Less Accumulated Depreciation/ Amortization for:									
Equipment	(43,646)	(3,281)	-	1,306	(45,621)	(3,051)	-	2,994	(45,678)
Library Materials	(82,205)	(1,361)	-	625	(82,941)	(987)	-	577	(83,351)
Buildings	(241,617)	(20,215)	-	5,218	(256,614)	(21,652)	-	230	(278,036)
Land Improvements	(3,543)	(207)	-	-	(3,750)	(204)	-	-	(3,954)
Improvements Other Than Buildings	(4,372)	(294)	-	-	(4,666)	(250)	-	-	(4,916)
Infrastructure	(13,149)	(1,363)	-	-	(14,512)	(1,352)	-	-	(15,864)
Intangible Assets	(7,797)	(177)	-	-	(7,974)	(47)	-	-	(8,021)
Total Accumulated Depreciation/ Amortization	(396,329)	(26,898)	-	7,149	(416,078)	(27,543)	-	3,801	(439,820)
Total Capital Assets, Net	$ 520,243	$ 34,634	$ -	$ (1,451)	$ 553,426	$ 51,916	$ -	$ (437)	$ 604,905
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 138,251	$ 23,715	$ (78,924)	$ (159)	$ 82,883	$ 64,947	$ (2,875)	$ (170)	$ 144,785
Capital Assets, Depreciable/ Amortizable	778,321	37,817	78,924	(8,441)	886,621	14,512	2,875	(4,068)	899,940
Total Cost of Capital Assets	916,572	61,532	-	(8,600)	969,504	79,459	-	(4,238)	1,044,725
Less Accumulated Depreciation/ Amortization	(396,329)	(26,898)	-	7,149	(416,078)	(27,543)	-	3,801	(439,820)
Total Capital Assets, Net	$ 520,243	$ 34,634	$ -	$ (1,451)	$ 553,426	$ 51,916	$ -	$ (437)	$ 604,905

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities were comprised of the following:

	June 30, 2019	June 30, 2018
Construction, Services and Supplies	17,152	14,002
Salaries and Wages	10,615	10,149
Accrued Interest	4,289	4,217
Contract Retainage Payable	4,700	2,827
Perkins Loan Program Payable	-	1,183
PSU Foundation	-	950
Other	2,263	1,419
Total	$ 39,019	$ 34,747

7. OPERATING LEASE COMMITMENTS

PSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $4,476 and $3,960 for the years ended June 30, 2019 and 2018, respectively, including $462 each year of rents to the PSU Foundation for the lease of the Corbett Building described in Note 18.

Minimum future lease payments on operating leases at June 30, 2018 were:

For the year ending June 30,	
2020	$ 4,185
2021	3,482
2022	2,651
2023	2,119
2024	799
2025-2029	2,247
2030-2034	1,261
2035-2039	1,258
2040-2044	1,256
2045-2049	1,256
2050-2054	1,256
2055-2060	1,256
2060 and After	4,124
Total Minimum Operating Lease Payments	$ 27,150

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8. LONG-TERM LIABILITIES

The State issues various debt instruments to support PSU capital projects. Under grant agreements with the State, PSU benefits from the proceeds of State Articles XI-G and XI-Q General Obligation Bonds issued on its behalf on a cost reimbursable basis. As PSU incurs eligible capital expenditures to be reimbursed under these programs, capital State grants revenue is recognized.

The State also issues Article XI-F(1) debt to support PSU capital projects. As PSU revenues are utilized to service debt on XI-F(1) bonds yet the State is the issuer of the bonds, this debt is reflected as PSU's obligation in the form of a note payable to the State. Under loan agreements with the State, PSU receives XI-F(1) bond proceeds on a cost reimbursement basis.

As PSU is a discretely presented component unit of the State and is not the issuer of the XI-F(1) bonds, any premiums or discounts flowed through to PSU are recognized as income or expense upon issuance and any gains or losses resulting from refundings are also immediately recognized as income or expense.

Long-term liability activity was as follows for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to State:						
Note Payable to State of Oregon (XI-F(1) G.O. Bonds)	$ 176,348	$ 6,099	$ (9,642)	**$ 172,805**	$ 9,235	$ 163,570
Certificates of Participation (COPs)	19,251	-	(916)	**18,335**	830	17,505
Oregon Department of Energy Loans (SELP)	33,913	-	(2,566)	**31,347**	2,414	28,933
Local Improvement District Obligations	2,851	-	(284)	**2,567**	244	2,323
Total Long-Term Debt	232,363	6,099	(13,408)	**225,054**	12,723	212,331
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	15,109	-	(1,162)	**13,947**	1,323	12,624
Compensated Absences	10,621	-	(83)	**10,538**	9,440	1,098
Total Other Noncurrent Liabilities	25,730	-	(1,245)	**24,485**	10,763	13,722
Total Long-Term Liabilities	$ 258,093	$ 6,099	$ (14,653)	**$ 249,539**	$ 23,486	$ 226,053

Long-term liability activity was as follows for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to State:						
Note Payable to State of Oregon (XI-F(1) G.O. Bonds)	$ 185,748	$ 79	$ (9,479)	**$ 176,348**	$ 9,643	$ 166,705
Certificates of Participation (COPs)	20,217	-	(966)	**19,251**	916	18,335
Oregon Department of Energy Loans (SELP)	36,405	-	(2,492)	**33,913**	2,561	31,352
Local Improvement District Obligations	3,124	-	(273)	**2,851**	284	2,567
Total Long-Term Debt	245,494	79	(13,210)	**232,363**	13,404	218,959
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	16,055	-	(946)	**15,109**	946	14,163
Compensated Absences	9,782	839	-	**10,621**	9,316	1,305
Other Postemployment Benefits (See Notes 1 and 14)	3,471	-	(3,471)	**-**	-	-
Total Other Noncurrent Liabilities	29,308	839	(4,417)	**25,730**	10,262	15,468
Total Long-Term Liabilities	$ 274,802	$ 918	$ (17,627)	**$ 258,093**	$ 23,666	$ 234,427

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Future debt service is as follows at June 30, 2019:

For the Year Ending June 30,	General XI-F(1)	SELP	COPs	LIDs	Total Payments	Principal	Interest
2020	$ 16,594	$ 3,810	$ 1,906	$ 346	$ 22,656	$ 12,374	$ 10,282
2021	17,107	3,571	1,907	295	22,880	13,185	9,695
2022	16,856	3,481	1,909	296	22,542	13,241	9,301
2023	16,477	3,482	1,902	$ 296	22,157	13,687	8,470
2024	15,982	3,482	1,886	295	21,645	13,774	7,871
2025-2029	74,795	17,362	9,121	1,479	102,757	73,337	29,420
2030-2034	49,091	5,156	8,471	161	62,879	48,382	14,497
2035-2039	29,639	-	1,603	-	31,242	25,369	5,873
2040-2044	11,852	-	-	-	11,852	11,054	798
Accreted Interest						651	(651)
						$ 225,054	$ 95,556
Total Future Debt Service	**248,393**	**40,344**	**28,705**	**3,168**	**320,610**		
Less: Interest Component of Future Payments	(75,588)	(8,997)	(10,370)	(601)	(95,556)		
Total Long-Term Debt	**$ 172,805**	**$ 31,347**	**$ 18,335**	**$ 2,567**	**$ 225,054**		

A. Notes Payable for General Obligation Bonds XI-F(1)

Amounts due to the State for Article XI-F(1) bonds, with effective yields ranging from 0.3 percent to 7.0 percent, are due serially through 2042.

In June 2019, the State of Oregon issued $6,045 of Article XI-F(1) bonds, to support PSU's construction of the Joint School of Public Health. The bonds were issued as part of the 2019 Series F (Taxable) at an effective interest rate of 3.46 percent due serially through June 2042. PSU entered into a loan agreement with the State of Oregon's Higher Education Coordinating Commission for the $6,045 par value of the bonds, including costs of issuance with an effective interest rate of 2.8 percent based on the State of Oregon's average coupon rate on the bonds.

During 2019 and 2018, no refundings occurred that impacted PSU.

B. Oregon Department of Energy Loans

PSU has entered into loan agreements with the Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at PSU. PSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 5.95 percent, are due through 2031.

C. Certificates of Participation

COPs, with effective yields ranging from 1.7 percent to 6.2 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of PSU or the former Oregon University System since fiscal year 2010.

D. Financial Guarantees

As a university with a governing board, PSU is not considered a state agency. As a result, the State has no responsibility for PSU's financial obligations other than those related to State general obligation debt.

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. These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State CAFR. Interest expense was paid in the amount of $999 and $1,035 for June 30, 2019 and 2018, respectively. Principal payments of $1,162 and $946 were applied to the liability for June 30, 2019 and 2018, respectively.

9. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

There were no reclassifications made to the June 30, 2019 financial statements.

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10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2019	June 30, 2018
Investment Earnings	$ 5,622	$ 3,991
Royalties and Technology Transfer Income	709	765
Endowment Income	-	46
Net Appreciation (Depreciation) of Investments	4,795	(2,194)
Total Investment Activity	$ 11,126	$ 2,608

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses are reported in the SRECNP by their functional classification. The following displays operating expenses by natural classification:

	June 30, 2019	June 30, 2018
Compensation and Benefits	$ 349,179	$ 351,691
Services and Supplies	111,894	112,165
Scholarships and Fellowships	37,348	34,534
Depreciation and Amortization	27,543	26,898
Other Expenses	2,242	1,127
Total Operating Expenses	$ 528,206	$ 526,415

12. GOVERNMENT APPROPRIATIONS

Government appropriations, including capital grants and debt related appropriations, were comprised of the following:

	June 30, 2019				June 30, 2018			
	General Operations	Capital Projects Related	Debt Service	Total	General Operations	Capital Projects Related	Debt Service	Total
State General Fund	$ 96,604	$ 58,133	$ 2,182	$ 156,919	$ 93,205	$ 18,147	$ 2,182	$ 113,534
State Lottery Funding	1,139			1,139	1,139	-	-	1,139
Total Appropriations	$ 97,743	$ 58,133	$ 2,182	$ 158,058	$ 94,344	$ 18,147	$ 2,182	$ 114,673

Refer to Note 8 for information regarding grant agreements with the State for funding of capital projects on a cost reimbursable basis.

13. EMPLOYEE RETIREMENT PLANS

PSU offers various retirement plans to qualified employees as described below, as well as offers postemployment healthcare assistance as described in Note 14.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/OREGON PUBLIC SERVICE RETIREMENT PLAN

The following provides an overview of PSU's participation in both the defined benefit and defined contribution plans in which it participates.

The Oregon Public Employees Retirement System (PERS) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which PSU employees are eligible to participate. The PERS trust also administers other postemployment benefits as described in Note 14. The PERS defined benefit retirement plan is administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. Effective July 1, 2015, PSU had a campus police office such that PERS benefits terms provided to police members became applicable to PSU prospectively.

PERS is a cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two. The 2003 Oregon Legislature enacted ORS 238A creating the Oregon Public Service Retirement Plan (OPSRP), which covers employees hired into eligible positions on or after August 29, 2003. The OPSRP is comprised of a defined benefit pension program and an individual account program (IAP). The OPSRP defined benefit component is part of the cost-sharing multiple-employer defined benefit plan administered by PERS. IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes.

PERS employee contributions requirements are established by ORS 238A.330 and are credited to an employee's account in the IAP and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Since July 1, 1979 with the exception of employees represented by the PSU American Federation of Teachers (AFT) union, the employee's contribution rate of 6 percent has been paid by the employer. For the years ended June 30, 2019 and 2018, the Tiers One and Two general service contribution rate was 17.84 percent and was 22.83 percent for police service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Since July 1, 1979 with the exception of employees represented by the PSU AFT union, the employee's contribution rate of 6 percent has been paid by the employer. The PSU employer contribution rates for OPSRP for the years ended June 30, 2019 and 2018 were 10.78 percent for general service and 15.55 percent for police service.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP (the IAP) and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

Further information for the defined benefit PERS plan and the defined benefit component of the OPSRP, including detailed disclosures required by GASB No. 68, is presented below under "Defined Benefit Plans."

The Retirement Bond Debt Service Assessment was authorized by the Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003. The Oregon Department of Administrative Services (DAS) 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 biennially over the life of the 24-year debt repayment schedule. The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.2 percent. Payroll assessments for the University for the fiscal years ended June 30, 2019 and 2018 were $7,330 and $7,057, respectively.

PERS issues a separate, publicly available financial report that contains audited financial statements and RSI. The report includes 10-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. The report may be obtained by writing to PERS, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700 or online at http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

OPSRP IAP

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 IAP accounts fall under Internal Revenue Code Section 401(a).

Upon retirement, a member of the OPSRP Individual Account Program (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. Each distribution option has a two hundred dollar minimum distribution limit.

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.

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the former Oregon University System 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 established trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to PSU unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies. The ORP is administered by the University of Oregon.

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Through June 30, 2014, the ORP consisted of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP and is also referred to as the OPSRP Equivalent. Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6 percent and, with the exception of employees represented by the PSU AFT union, is paid by the employer. Effective July 1, 2014, the Oregon Legislature adopted a fourth ORP tier, which includes an employer contribution, as well as an employer matching contribution on employee contributions to the Oregon Public University tax-deferred investment 403(b) plan of up to 4 percent.

The employer contribution rates for the ORP are as follows:

	2019	**2018**
ORP Tiers 1 & 2	23.68%	23.68%
OPSRP Equivalent (general service)	9.29%	9.29%
OPSRP Equivalent (police)	14.74%	14.74%
ORP Tier 4	8.00%	8.00%

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/COLLEGE RETIREMENT EQUITIES FUND

Eligible unclassified employees may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. 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.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

Through June 2019, the University of Oregon maintained an IRC Section 414(d) cash balance deferred compensation plan to provide a specific benefit value to certain university presidents upon separation, including PSU's. The SRP was fully funded prior to termination.

SUMMARY OF PENSION PAYMENTS

PSU total payroll for the year ended June 30, 2019, was $233,690, of which $192,275 was subject to retirement contributions. PSU total payroll for the year ended June 30, 2018 was $227,246, of which $185,493 was subject to retirement contributions. The following summarizes payments made by PSU for the fiscal year:

	2019				**2018**			
	Employer	**Percent of Covered Payroll**	**Employee Contribution**	**Percent of Covered Payroll**	**Employer**	**Percent of Covered Payroll**	**Employee Contribution**	**Percent of Covered Payroll**
PERS/OPSRP	$ 12,080	6.28%	$ 7,170	3.73%	$ 12,033	6.49%	$ 6,959	3.75%
ORP	9,538	4.96%	4,360	2.27%	9,280	5.00%	4,129	2.23%
TIAA-CREF	50	0.03%	50	0.03%	52	0.03%	52	0.03%
Total	$ 21,668	11.27%	$ 11,580	6.02%	$ 21,365	11.52%	$ 11,140	6.01%

Of the employee share, the employer paid $6,834 of PERS/OPSRP, $3,752 of ORP and $50 of TIAA-CREF during the fiscal year ended June 30, 2019. Of the employee share, the employer paid $6,633 of PERS/OPSRP, $3,671 of ORP and $52 of TIAA-CREF during the fiscal year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS
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DEFINED BENEFIT PLANS

The disclosures and amounts presented below are based on the actuarial valuation performed as of December 31, 2016 rolled forward to the June 30, 2018 measurement date

A. Name of pension plan:

PERS consists of a cost-sharing multiple employer defined benefit pension plan.

B. Description of benefit terms:

Plan Benefits

All benefits of PERS are established by the Oregon Legislature pursuant to ORS Chapters 238 and 238A.

1. Tier One/Tier Two Retirement (Benefit Chapter 238). Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

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 and 2.0 percent for police employees) is multiplied by the number of years of creditable 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.

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 (age 45 for police members). General service employees may retire after reaching age 55. Police members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

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, or
- 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 (55 for police members) 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 changes.

2. OPSRP Defined Benefit Pension Program (OPSRP DB)

Pension Benefits. The OPSRP DB Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

This defined benefit portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

> General service: 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.
>
> Police: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police member, the individual must have been employed continuously as a police fire member for at least five years immediately preceding retirement.

A member of the OPSRP 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.

C. Contributions:

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.

The employer contribution rate was 6.0% during fiscal years 2019 and 2018 based on the December 31, 2015 actuarial valuations. The current contribution rates are based on a percentage of payroll and first became effective July 1, 2017. The State and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions during the years ended June 30, 2019 and 2018 were $12,808 and $12,033, respectively, excluding amounts to fund employer specific liabilities.

NOTES TO THE FINANCIAL STATEMENTS
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D. Pension Plan CAFR:

As described above, PERS produces an independently audited CAFR which can be found online at http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

Valuation date	December 31, 2016 rolled forward to June 30, 2018 measurement date	December 31, 2015 rolled forward to June 30, 2017 measurement date
Experience study report	2016, published July 26, 2017	2014, published September 2015
Actuarial cost method	Entry Age Normal	
Amortization method	Level percentage of payroll	Tiers 1 and 2 and OPSRP amortized as a level percentage of project combined payroll as layered amortization bases over a closed 20-year period for Tiers 1 and 2 and over a closed 16-year period for OPSRP.
Asset valuation method	Market value of assets	
Inflation rate	2.50 percent	
Investment rate of return	7.20 percent	7.50 percent
Discount rate	7.20 percent	7.50 percent
Projected salary increases	3.50 percent	
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with the Moro decision; blend based on service.	
Mortality	*Healthy retirees and beneficiaries:*	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation
	Active members:	
	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation
	Disabled retirees:	
	RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct generational per Scale BB disable mortality table.

(Source: June 30, 2018 PERS CAFR p. 69)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study, which reviewed experience for the four-year period ending December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability reported at June 30, 2019 and 2018 was 7.20 present and 7.50 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

(Source: June 30, 2018 PERS CAFR; p. 68)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC's investment advisors. The table below 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 (presented below under Investments). The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class 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.

(Source: June 30, 2018 PERS CAFR; p. 70)

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

(Source: June 30, 2018 PERS CAFR; p. 72)

F. Sensitivity Analysis:

The sensitivity analysis below shows the sensitivity of the university's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.20 percent as of June 30, 2019 and 7.50 percent as of June 30, 2018, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

	June 30, 2019			June 30, 2018		
Sensitivity of Net Pension Liability to Changes in the Discount Rate	**1% Decrease**	**Current Discount Rate**	**1% Increase**	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	6.20%	7.20%	8.20%	6.50%	7.50%	8.50%
PSU's Proportionate Share of Net Pension	$ 217,619	$ 130,218	$ 58,076	$ 239,134	$ 140,322	$ 57,696

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

G. Summary of Significant Accounting Policies for PERS/OPSRP:

Reporting Entity

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State's CAFR.

Basis of Presentation

The PERS' financial statements are prepared in accordance with GASB Statements and GAAP that apply to governmental accounting for fiduciary and enterprise funds.

Basis of Accounting

The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Expenses are recognized when incurred. Benefits are recognized in the month they are due and payable. Withdrawals are recognized in the month they are due and payable.

Investments

ORS 293.706 established OIC, which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor subject to state Senate confirmation. The State Treasurer serves as the council's remaining voting member. In addition, the director of the PERS serves as a non-voting OIC member. The asset allocation policy approved by the OIC as of June 30, 2018 is as follows:

Asset Allocation Policy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

(Source: June 30, 2018 PERS CAFR; p. 98)

Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to June 30, 2018 PERS CAFR for information regarding the valuation of the various investments and investment related disclosures.

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternatives, and real estate portfolio investment valuations, the fair values reflected in the PERS financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

OIC has approved the following asset classes for the Oregon Public Employees Retirement Fund (OPERF): Short-Term Investments, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, the OPERF invests in the Opportunity Portfolio which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

As of the June 30, 2018 measurement date, PERS did not hold investments in any one organization that represent 5 percent of more of PERS' fiduciary net position or total investments.

H. Deferred Items:

Deferred items are calculated at the system-wide and employer-specific level and are allocated based on proportionate share. For the measurement period ending June 30, 2018 and 2017, deferred items were due to the following:

- Differences between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual earnings on investments
- Changes in proportion and differences between fund contributions and proportionate share of contributions
- Contributions subsequent to the measurement date of June 30, 2018

Experience gains and losses, changes in assumptions, changes in employer's proportionate share of contributions and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

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

Differences between projected and actual earnings are amortized over a closed five-year period with one year's amortization recognized in the year in which the difference arose.

Contributions subsequent to the measurement date will be fully recognized as a reduction of net pension liability in the subsequent year.

(Source: June 30, 2018 PERS GASB No. 68 report)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

The composition of PSU's deferred outflows (inflows) related to the defined benefit plans were as follows:

	June 30, 2019		June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employers' proportion and differences between the employer's contributions and employer's proportionate share of contributions	$ 5,453	$ (16,943)	$ 7,256	$ (2,914)
Changes in assumptions	30,275	-	25,578	-
Differences between expected and actual earnings on pension plan investments	-	(5,782)	1,446	-
Differences between expected and actual experience	4,430	-	6,786	-
Employer's contributions subsequent to measurement date	12,080	-	12,033	-
	$ 52,238	$ (22,725)	$ 53,099	$ (2,914)

PSU net deferred outflows to be recognized over the next five years and thereafter are as follows as of June 30, 2019:

Net deferred outflows to be recognized over next five years and thereafter:	
2020	$ 13,668
2021	9,132
2022	(3,762)
2023	(1,659)
2024	54
Thereafter	-
Total future expense	$ 17,433

Amount of deferred outflows resulting from contributions subsequent to the measurement date to be included as a future decrease in net pension liability during fiscal year ended June 30, 2020	$ 12,080

I. Independent Auditors Report:

The independent auditors' report on the Schedule of Allocations (Proportionate Shares) and Schedule of Pension Amounts is published on the PERS employer website at: http://www.oregon.gov/pers/EMP/Pages/GASB.aspx

J. Net Pension Liability and Pension Expense:

As of the December 31, 2017 actuarial valuation, PERS had a funded ratio of 80.1 percent for the defined benefit plan it administers, including employer side accounts, and 73.5 percent excluding employer side accounts. Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share using the methodology described in the PERS GASB No. 68 independent auditors' report that can be found at the link provided above. PERS does not provide PSU an audited proportionate share as a separate employer; rather, PSU is allocated a proportionate share of PERS employer State agencies.

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

DAS calculated PSU's proportionate share of all State agencies internally based on actual contributions by PSU as compared to the total for employer State agencies. The Oregon Audits Division reviewed this internal calculation. PSU's system-wide proportionate share of the defined benefit pension obligation was as follows:

	June 30, 2019	June 30, 2018
Employer's proportionate share of collective net pension liability	$ 130,218	$ 140,322
Employer's proportionate % share of collective net pension liability	0.86%	1.04%
Employer's pension expense	$ 22,648	$ 31,163

L. Changes in Plan Provisions Subsequent to Measurement Date:

There were no 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. The discount rate is then adopted in an administrative rule at the time the Board sets the new rate.

14. OTHER POSTEMPLOYMENT BENEFITS

During the years ended June 30, 2019 and 2018, PSU was as a participant in the State's defined benefit postemployment health care plan administered by the Public Employees Benefit Board (PEBB), as well as the Retirement Health Insurance Account (RHIA) and Retiree Health Insurance Premium Account (RHIPA) postemployment health care plans administered by PERS. As described in Note 1, PSU adopted GASB No. 75 effective July 1, 2017 requiring liabilities to be reported for these defined benefit plans net of any applicable trust assets on the Statement of Net Position. Prior to the adoption of GASB No. 75, PSU accounted for its obligations associated with the PEBB plan under GASB No. 45.

A. PERS (RHIA and RHIPA)

Plan Descriptions

The 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 administers two separate defined benefit OPEB plans: the RHIA and the RHIPA. Only Tier One and Tier Two PERS members are eligible to participate in the RHIA and RHIPA plans. Refer to Note 13 for details concerning Tier One and Tier Two membership in PERS.

The RHIA is a cost-sharing multiple-employer defined benefit OPEB plan for financial reporting purposes. Established under 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 Oregon Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

Established under ORS 238.415, the RHIPA is also 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 Oregon Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan.

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

OPEB Plans Report

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

Basis of Accounting

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. Benefits are recognized in the month they are due and payable.

Investments

Investments are recognized at fair value. Refer to Note 13. G. for additional information.

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.

Measurement Date

The measurement date for the PERS plans is one year prior to the fiscal year end date. All references to balances at June 30, 2019 are based upon a June 30, 2018 measurement date and all references to balances at June 30, 2018 are based upon a June 30, 2017 measurement date.

OPEB Plan (Asset)/Liability

The components of the State's total net OPEB liability (asset) for the State's OPEB plans are as follows (in millions):

Net OPEB - RHIA (Asset)	June 30, 2019	Net OPEB - RHIPA Liability	June 30, 2019
Total OPEB - RHIA Liability	$ 465.2	Total OPEB - RHIPA Liability	$ 70.3
Plan Fiduciary Net Position	576.8	Plan Fiduciary Net Position	35.0
Plan Net OPEB - RHIA (Asset)	**$ (111.6)**	Plan Net OPEB - RHIA Liability	**$ 35.3**
Plan net position as % of Total OPEB Liability	124.0%		49.8%

Net OPEB - RHIA (Asset)	June 30, 2018	Net OPEB - RHIPA Liability	June 30, 2018
Total OPEB - RHIA Liability	$ 470.0	Total OPEB - RHIPA Liability	$ 70.9
Plan Fiduciary Net Position	511.8	Plan Fiduciary Net Position	24.3
Plan Net OPEB - RHIA (Asset)	**$ (41.8)**	Plan Net OPEB - RHIA Liability	**$ 46.6**
Plan net position as % of Total OPEB Liability	108.9%		34.3%

Contributions

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

For the fiscal years ended June 30, 2019 and 2018, the university contributed 0.07 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, the university contributed 0.43 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $537 and $520 for the year ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

For the fiscal year ended June 30, 2019 and 2018, the university contributed 0.11 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the university contributed 0.38 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution were approximately $491 and $477 for the year ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset/Liability

a. RHIA

At June 30, 2019, PSU reported an asset of $1,167 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. At June 30, 2018, PSU reported an asset of $491 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide PSU an audited proportionate share as a separate employer; rather, PSU is allocated a proportionate share of PERS employer state agencies. DAS calculated PSU's proportionate share of all state agencies internally based on actual contributions by PSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, PSU's proportion was 1.05 and 1.18 percent, respectively, of the statewide OPEB plan.

For the year ended June 30, 2019 and 2018, PSU recorded total OPEB benefit of $100 and $2, respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and inflows and amortization of previously deferred amounts.

b. RHIPA

At June 30, 2019, PSU reported a liability of $1,249 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. At June 30, 2018, PSU reported a liability of $1,775 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide PSU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. DAS calculated PSU's proportionate share of all state agencies internally based on actual contributions by PSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, PSU's proportion was 3.53 and 3.80 percent, respectively, of the statewide OPEB plan.

For the year ended June 30, 2019 and 2018, PSU recorded total OPEB expense of $147 and $216, respectively, due to the changes to the net RHIPA OPEB liability, deferred outflows and inflows and amortization of previously deferred amounts.

Deferred Items

A. RHIA

Some 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, others are calculated at the employer level. For the measurement period ended June 30, 2018, there were:

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

Experience gains and losses, changes in assumption, changes in employer's proportionate share of contributions 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 the measurement period are as follows:

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

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

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

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

PSU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	June 30, 2019		June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ -	$ (251)	$ -	$ (227)
Difference Between Expected and Actual Experience	-	(66)	-	-
Change in Assumptions	-	(4)	-	-
Change in Proportion	35	-	23	-
Difference Between Fund Contributions and Proportionate Share of Contributions	13	(22)	-	(35)
Employer contributions Subsequent to the Measurement Date	537	-	520	-
	$ 585	$ (343)	$ 543	$ (262)

PSU net deferred outflows related to the RHIA plan to be recognized over the next five years and thereafter are as follows as of June 30, 2019:

Net deferred (inflows) to be recognized over next five years and thereafter:	
2020	$ (96)
2021	(94)
2022	(80)
2023	(25)
	$ (295)

Amount of deferred outflows resulting from contributions subsequent to the measurement date to be included as a future decrease in net OPEB asset during fiscal year ended June 30, 2020	$ 537

B. RHIPA

Some 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, others are calculated at the employer level. For the measurement period ended June 30, 2018, there were:

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

Experience gains and losses, changes in assumption, changes in employer's proportionate share of contributions and change in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period.

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

The average remaining service lives determined as of the beginning of the measurement period are as follows:

- Measurement period ended June 30, 2018 – 6.9 years
- Measurement period ended June 30, 2017 - 7.2 years

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

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

PSU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	June 30, 2019		June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ -	$ (21)	$ -	$ (19)
Difference Between Expected and Actual Experience		(92)		
Change in Assumptions	13			
Change in Proportion	81	(109)	-	(20)
Difference Between Fund Contributions and Proportionate Share of Contributions	6	(17)	96	-
Employer Contributions Subsequent to the Measurement Date	490	-	477	-
	$ 590	$ (239)	$ 573	$ (39)

PSU net deferred outflows related to the RHIPA plan to be recognized over the next five years and thereafter are as follows as of June 30, 2019:

Net deferred outflows to be recognized over next five years and thereafter:	
2020	$ (25)
2021	(25)
2022	(25)
2023	(20)
2024	(19)
Thereafter	(25)
	$ (139)

Amount of deferred outflows resulting from contributions subsequent to the measurement date to be included as a future decrease in net OPEB liability during fiscal year ended June 30, 2020	$ 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (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.

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

Valuation date	December 31, 2016 rolled forward to June 30, 2018 measurement date	December 31, 2015 rolled forward to June 30, 2017 measurement date
Experience study report	2016, published July 26, 2017	2014, published September 2015
Actuarial cost method	Entry Age Normal	
Inflation rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount rate	7.20 percent	7.50 percent
Projected salary increases	3.50 percent	
Retiree Healthcare Participation	Healthy Retirees: 38 percent Disabled Retirees: 20 percent	
Healthcare Cost Trend Rate	Not Applicable	
Mortality	*Healthy retirees and beneficiaries:* RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation *Active members:* Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation *Disabled retirees:* Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct generational per Scale BB disable mortality table.	

(Source: 2018 PERS CAFR, page 71, table 28)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

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

Valuation date	December 31, 2016 rolled forward to June 30, 2018 measurement date	December 31, 2015 rolled forward to June 30, 2017 measurement date
Experience study report	2016, published July 26, 2017	2014, published September 2015
Actuarial cost method	Entry Age Normal	
Inflation rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount rate	7.20 percent	7.50 percent
Projected salary increases	3.50 percent	
Retiree Healthcare Participation	Applied at beginning of plan year, starting with 6.5% for 2018, decreasing to 5.9% for 2019, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2% for 2093 and beyond.	Applied at beginning of plan year, starting with 6.3% for 2016, decreasing to 5.3% for 2019, increasing to 6.5% for 2029, and decreasing to an ultimate rate of 4.4% for 2094 and beyond.
Mortality	*Healthy retirees and beneficiaries:*	
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation
	Active members:	
	RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation
	Disabled retirees:	
	RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct generational per Scale BB disable mortality table.

(Source: 2018 PERS CAFR, page 71, table 28)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

Discount Rate

The discount rate used to measure the total OPEB liabilities at June 30, 2019 and 2018 was 7.20 and 7.50 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the university's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 percent as of June 30, 2019 and 7.50 percent as of June 30, 2018, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2019		June 30, 2018	
	RHIA	RHIPA	RHIA	RHIPA
1% Decrease to 6.5%	($679)	$1,400	$68	$1,961
Current Discount Rate 7.5%	(1,167)	1,249	(491)	1,775
1% Increase to 8.5%	(1,582)	1,076	(966)	1,603

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

Healthcare Cost Rate	June 30, 2019		June 30, 2018	
	RHIA	RHIPA	RHIA	RHIPA
1% Decrease	($1,167)	$1,011	($491)	$1,532
Current Trend Rate	(1,167)	1,249	(491)	1,775
1% Increase	(1,167)	1,481	(491)	2,051

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	13.50	21.50	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	12.50	12.50
Opportunity Portfolio	0.00	3.00	0.00
Total			100 %

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the 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: https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf

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

Depletion Date Projection

GASB Statement No. 75, A*ccounting 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 82) 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 rate of return was used to discount the liabilities.

Changes Subsequent to the Measurement

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

B. Public Employees' Benefit Board (PEBB)

Plan Description

The PEBB plan offers healthcare assistance to eligible retired state employees and their beneficiaries. Chapter 243 of the ORS gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is a single-employer plan treated as a cost-sharing multiple-employer plan for financial reporting purposes and has no assets accumulated in a trust that meets the criteria in GASB 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."

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

Changes in Total OPEB Plan Liability

The State's total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date.

	June 30, 2018	June 30, 2018
Changes in State's Total OPEB Liability		
Beginning Balance	$ 148,563	$ 144,795
Changes for the year:		
Service cost	9,132	9,294
Interest on total OPEB liability	5,960	5,388
Effect of assumptions changes or inputs	4,968	(3,689)
Benefit payments	(7,451)	(7,225)
Ending Balance	$ 161,172	$ 148,563

Proportionate Share Allocation Methodology

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

Total OPEB Liability

At June 30, 2019, the university reported a liability of $6,794 for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2019 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2018, the university reported a liability of $6,551 for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2018 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. PEBB does not provide PSU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PEBB participating employers. DAS calculated PSU's proportionate share of all participating employers internally based on actual contributions by PSU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, PSU's proportion was 4.22 and 4.41 percent, respectively, of participating employers.

For the year ended June 30, 2019 and 2018, PSU recorded total OPEB expense of $574 and $595, respectively, due to the changes to the total OPEB liability, deferred inflows, and amortization of previously deferred amounts.

Deferred Items

Some 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, others are calculated at the employer level. For the measurement period ended June 30, 2018, there were:

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

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of the measurement period ended June 30, 2019 and 2018 was 8.2 years.

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

PSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	July 30, 2019		July 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ 184	$ (117)	$ -	$ (143)
Change in Proportion	-	(463)	-	(237)
Total	$ 184	$ (580)	$ -	$ (380)

PSU net deferred inflows related to the PEBB plan to be recognized over the next five years and thereafter are as follows as of June 30, 2019:

Net deferred inflows to be recognized over next five years and thereafter:	
2020	$ (62)
2021	(62)
2022	(62)
2023	(62)
2024	(62)
Thereafter	(86)
	$ (396)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (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.

Valuation date		July 1, 2017	
Measurement Date	June 30, 2019		June 30, 2018
Actuarial cost method		Entry Age Normal	
Inflation rate		2.50 percent	
Discount rate	3.50 percent		3.50 percent
Projected salary increases		3.50 percent	
Withdrawal, retirement, and mortality rates		December 31, 2016 Oregon PERS valuation	
Healthcare Cost Trend Rate	*Medical and vision cost increases:*		
		0.80 percent in the first year; 5.10 percent in the second year; 5.30 percent in the third year; varying from 6.20 percent to 4.20 percent over the remainder of the projection period	
	Dental cost changes:		
		decrease 1.10% in the first year; increase 3.10% in the second year; increase 4.00% per year thereafter	
Election and lapse rates			
		30 percent of eligible employees 60 percent spouse coverage for males 35 percent for females 7 percent annual lapse rate	

(Source: 2018 PERS CAFR, page 71, table 28)

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Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rate in effect for the June 30, 2019 and 2018 reporting date is 3.50 and 3.87 percent, respectively.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the university's proportionate share of the total OPEB liability calculated using the discount rate of 3.50 percent as of June 30, 2019 and 3.87 percent as of June 30, 2018, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	**June 30, 2019**	June 30, 2018
1% Decrease to 2.50%/2.87%	$7,393	$7,129
Current Discount Rate at 3.50%/3.87%	6,794	6,551
1% Increase to 4.50%/4.87%	6,243	6,021

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 Trend Rate	**June 30, 2019**	June 30, 2018
1% Decrease	$5,920	$5,772
Current Trend Rate	6,794	6,551
1% Increase	7,844	7,481

15. RISK FINANCING

PSU participates in the Public University Risk Management and Insurance Trust (PURMIT). PURMIT is a separate legal entity that operates for the benefit of the participating universities.

The following risks are managed through PURMIT:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against university officers, employees or agents
- Workers' compensation and employer's liability
- Criminal and fiduciary liability
- Certain specialty lines of business, including fine art, non-owned aviation and other liability coverage.

PSU retains the first $100 of loss per occurrence on property loss and tort liability claims while the pooled risk covered by PURMIT varies depending on the type of occurrence. Pooled risk covered by PURMIT and excess third party commercial insurance coverage is described below and applies to the participating universities in aggregate.

Effective October 2017, PURMIT covers up to $250 per occurrence for real property damages. PURMIT covers up to $500 per occurrence for general liability damages. Excess third party commercial insurance covers up to $500,000 per occurrence with aggregate sub-limits for flood and earth movement of $250,000 and $100,000, respectively.

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018 (DOLLARS IN THOUSANDS)

PURMIT covers up to $250 per occurrence for licensed professional liability and up to $500 per occurrence for educators' legal, auto and general liability, which covers employer's liability. Excess third party commercial insurance covers up to an aggregate $50,000 for these losses, including international incidents. PSU trustees are provided with directors and officers insurance under the educators' legal coverage.

PURMIT charges each participating university for an allocation of commercial insurance premiums and PURMIT's overhead and direct costs, as well as an actuarially determined allocation of costs associated with the self-insured risk layer retained by PURMIT. Based on an independent actuarial analysis, PURMIT has sufficient funds to pay anticipated claims. PSU did not incur losses above covered amounts for the last three fiscal years.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned construction projects totaled approximately $106,327 at June 30, 2019, including portions of the projects that may not ultimately be capitalized as property, plant and equipment. These commitments will be primarily funded from gifts, grants and bond proceeds and are summarized as follows as of June 30, 2019

	Total Commitment	Completed to Date	Outstanding Commitment
Collaborative Fourth & Montgomery Building (1)	$ 111,495	$ 29,811	$ 81,684
Neuberger Hall Renovation	71,247	62,471	8,776
Peter W. Stott Center & Viking Pavillion renovation	52,617	51,537	1,080
Capital Repair	45,887	33,235	12,652
Projects with <$500 thousand remaining to be spent	7,573	5,438	2,135
	$ 288,819	$ 182,492	$ 106,327

(1) On July 19, 2017, the Governor of Oregon signed into law funding authorization for what is referred to as PSU's Graduate School of Education project to be newly constructed at 4th Avenue and Montgomery Street in Portland. The facility will be a seven story mixed use building with approximately 175,500 gross square feet of space. The project includes the design and construction of a new building, including furniture, fixtures and equipment, as well as the purchase of land. The project involves partnership commitments from Portland Community College, City of Portland and Oregon Health and Science University for their respective shares of the project. The State authorized issuance of a mix of Article XI-G, XI-Q, XI-(F)(1) General Obligation Bonds totaling $51 million for which PSU will be obligated to match $36 million. The Fourth and Montgomery building is expected to be ready for use by November 2020.

PSU 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 these matters will not have a material effect on the financial statements.

PSU 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 657. PSU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Although the amount of future benefit payments to claimants and the resulting liability to PSU cannot be reasonably determined at June 30, 2019, such amounts are not expected to be material.

Refer also to Note 18 for commitments associated with the PSU Foundation.

17. SUBSEQUENT EVENTS

No events have occurred subsequent to June 30, 2019 and through the date of these financial statements that would require adjustment to, or disclosure in, the financial statements.

18. UNIVERSITY FOUNDATION

The PSU Foundation was established to provide assistance in fund raising, public outreach and other support for the mission of PSU and is a legally separate, tax-exempt entity with an independent governing board.

Under an amended and restated recognition and support agreement, PSU has financially supports the PSU Foundation's operating costs. During the years ended June 30, 2019 and 2018, PSU transferred $7,725 and $7,452, respectively, to the PSU Foundation under this agreement. PSU's financial support to the PSU Foundation is budgeted to be $7,945 during the year ended June 30, 2020. This includes supplemental funding of $750 in 2020 to support the PSU Foundation's comprehensive funding raising campaign initiative.

During the years ended June 30, 2019 and 2018, gifts of $17,539 and $17,389, respectively, were transferred from the PSU Foundation to PSU. Gifts received from the PSU Foundation include amounts contributed by certain members of the PSU Board of Trustees and their affiliates. During the years ended June 30, 2019 and 2018, the PSU Foundation recognized $447 and $4,823 of revenues associated with donations and pledges from members of the PSU Board of Trustees and their affiliates.

PSU leases a building from the PSU Foundation (the Corbett Building) that will expire on December 2020 unless renewed. Annual base rent is $462. The lease contains a fair market value purchase option.

Although PSU does not control the timing or amount of receipts from the PSU Foundation, the majority of resources, or income thereon that the PSU Foundation holds and invests are restricted to the activities of PSU by the donors. As these restricted resources held by the PSU Foundation can only be used by, or for the benefit of, PSU, the PSU Foundation is considered a component unit of PSU and is discretely presented in the financial statements. Refer to the Statements of Financial Position and Statements of Activities for the PSU component unit financial statements. The PSU Foundation is audited annually and received an unqualified audit opinion on both fiscal years presented. Complete financial statements for the PSU Foundation may be obtained by writing to the following: Portland State University Foundation, 2125 SW Fourth Avenue, Suite 510, Portland, OR 97201.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY PERS DEFINED BENEFIT PENSION EMPLOYER CONTRIBUTIONS

	Year Ended June 30,				
Defined Benefit Pension Plans*	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required employer contributions	$ 12,080	$ 12,033	$ 9,345	$ 8,566	$ 7,315
Employer contributions recognized	$ 12,080	$ 12,033	$ 9,345	$ 8,566	$ 7,315
Contribution Excess (Deficiency)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 119,441	$ 115,380	$ 112,635	$ 108,245	$ 103,588
Employer contributions recognized as a percentage of covered payroll	10.1%	10.4%	8.3%	7.9%	7.1%

SCHEDULE OF UNIVERSITY PERS DEFINED BENEFIT PENSION PROPORTIONATE SHARE OF NET PENSION LIABILITY

	Year Ended June 30,				
Defined Benefit Pension Plans*	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportionate % share of collective net pension asset or liability**	0.86%	1.04%	0.96%	0.92%	0.92%
Employer's proportionate share of collective net pension (asset) liability**	$ 130,218	$ 140,322	$ 144,817	$ 52,642	$ (20,769)
Covered employee payroll**	$ 115,380	$ 112,635	$ 108,245	$ 103,588	$ 103,961
Employer's share of net pension (asset) liability as a percentage of covered payroll**	113%	125%	134%	51%	-20%
Plan fiduciary net position as a percentage of the total pension liability**	82.1%	83.1%	80.5%	91.9%	103.6%

*10-year trend information specific to PSU is not available prior to the year ended June 30, 2014.

**Based on measurement date one year prior to the fiscal year end.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

	Year Ended June 30,									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Actuarially Determined Contributions[1]	$ 537	$ 520	$ 537	$ 519	$ 549	$ 555	$ 533	$ 510	$ 187	$ 177
Contributions in Relation to the Actuarially Determined Contributions	537	520	537	519	549	555	533	510	187	177
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 119,441	$ 115,380	$ 112,635	$ 108,245	$ 103,588	$ 103,961	$ 98,057	$ 93,153	$ 77,200	$ 71,805
Contributions as a Percentage of Covered Payroll	0.45%	0.45%	0.48%	0.48%	0.53%	0.53%	0.54%	0.55%	0.24%	0.25%

[1]For Actuarial Assumptions and Methods, see table in Note 14

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

	Year Ended June 30,		
	2019	**2018**	**2017**
University's Allocation of the Net RHIA OPEB Liability/(Asset)	1.05%	1.18%	1.18%
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset)	$ (1,167)	$ (491)	$ 288
University's Covered Payroll	115,380	112,635	108,245
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset) as a Percentage of Covered Payroll	1.01%	0.44%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total RHIA OPEB Liability/(Asset)	123.99%	108.88%	94.15%

*Based on measurement date one year prior to the fiscal year end. 10-year trend information specific to PSU is not available for earlier years.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

	Year Ended June 30,									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Actuarially Determined Contributions[1]	$ 491	$ 477	$ 428	$ 414	$ 236	$ 240	$ 132	$ 127	$ 40	$ 39
Contributions in Relation to the Actuarially Determined Contributions	491	477	428	414	236	240	132	127	40	39
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 119,441	$ 115,380	$ 112,635	$ 108,245	$ 103,588	$ 103,961	$ 98,057	$ 93,153	$ 77,200	$ 71,805
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.38%	0.38%	0.23%	0.23%	0.13%	0.14%	0.05%	0.05%

[1]For Actuarial Assumptions and Methods, see table in Note 14

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

	Year Ended June 30,		
	2019	**2018**	**2017**
University's Allocation of the Net RHIPA OPEB Liability/(Asset)	3.53%	3.81%	3.60%
University's Proportionate Share of the Net RHIPA OPEB Liability/(Asset)	$ 1,249	$ 1,775	$ 1,930
University's Covered Payroll	115,380	112,635	108,245
University's Proportionate Share of the Net RHIPA OPEB Liability/(Asset) as a Percentage of Covered Payroll	1.08%	1.58%	1.78%
Plan Fiduciary Net Position as a Percentage of the Total RHIPA OPEB Liability/(Asset)	49.79%	34.25%	21.87%

*Based on measurement date one year prior to the fiscal year end. 10-year trend information specific to PSU is not available for earlier years.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

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

	Year Ended June 30,		
	2019	**2018**	**2017**
University's Allocation of the Total OPEB Liability	4.22%	4.41%	4.60%
University's Proportionate Share of the Total OPEB Liability	$ 6,794	$ 6,551	$ 6,655
University's Covered Payroll	$ 172,213	$ 167,815	$ 163,311
University's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	3.95%	3.90%	4.08%
Total OPEB Liability as a % of Total Covered Payroll	4.31%	4.42%	4.45%

*10-year trend information specific to PSU is not available for earlier years.

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

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