2022 FINANCIAL REPORT

Portland State UNIVERSITY

BOARD OF TRUSTEES

EXECUTIVE OFFICERS

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KNOWLEDGE THAT SERVES

PORTLAND STATE UNIVERSITY is Oregon's public urban research university, located in the heart of downtown Portland and leading the way to success for all students, particularly those who are first generation, economically challenged, and historically underrepresented. Since its founding in 1946 to serve veterans home from World War II, PSU has stayed true to its calling as an affordable pathway for both opportunity and social mobility. We are publicly funded and proud to be Oregon's most diverse university, where students of all ages, races, identities and backgrounds come to change their lives and their communities. With more than 200 degree programs, Portland State meets its 23,000 students where they are and gives them the flexibility, experience and support to achieve their goals. Now more than ever, PSU is stepping up to create a just, equitable and sustainable future in Portland and the world beyond.

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 a 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

Portland State is redefining higher education for a new generation of students by taking bold action on three primary strategic goals. These priorities reflect our values as Oregon's most diverse, affordable and innovative public research university and our commitment to creating a just, equitable and sustainable future for our students and our city. We aim to model how to succeed as an urban university at the intersection of these three priorities.

LASER FOCUS ON STUDENT SUCCESS:
Since 2019, PSU has engaged in a long term effort to advance student success, graduation, and career readiness called Students First. A critical focus of this work is seeking parity in outcomes for first generation, economically disadvantaged, and historically underrepresented student populations, using data analysis to ensure all students thrive.

ACTING ON EQUITY AND RACIAL JUSTICE:
Portland State is centering its effort to combat societal racism and advance social justice across our campus with dogged determination and long-term commitment. Diversity, equity, and inclusion form the framework of who we are and what we do as an institution and community.

MOBILIZING ENGAGEMENT TO STRENGTHEN OUR CITY:
Our destiny as an institution is tied to Portland, and now more than ever, Portland needs us. We recommitted to engaging partners across the city to achieve a more equitable, resilient, and sustainable future.

MESSAGE FROM THE PRESIDENT

PORTLAND STATE'S MOTTO, Let Knowledge Serve the City—Doctrina Urbi Serviat if you prefer the Latin—emerged in the early 1990s, but this university's active, sustained, and significant engagement with the city and the region has been core to our identity since the first classes were offered in Vanport.

As it has been, so will it continue to be.

In fall 2022, we marked the 50th anniversary of Portland's 1972 Downtown Plan. That plan put in place many of the aspects of downtown that we take for granted, including public gathering spaces and robust transit. It also identified PSU as Portland's urban university; its partner in workforce development, research, and civic engagement.

Over the decades, PSU's commitment to community engagement has continued to grow and strengthen as we collectively face society's challenges. Whether through an engineering capstone project solving a city transportation issue or internships focused on bringing diverse language skills to public health efforts, PSU continues to partner with our community.

Along with our laser focus on student success and our ongoing and deep commitment to racial justice and equity, community engagement makes up the core of PSU's identity and a key aspect of its mission.

It is essential that all of us at PSU center that treasured mission as we face the financial challenges that are continuing to take form as we emerge from the pandemic. As enrollment has continued to fall at Portland State, driven by declines in transfer student enrollment and student persistence, it is clear that a high level of innovation will be required to reshape the university for the years to come.

In the 2022-23 academic year, we will be able to balance the budget using one-time savings and resources, but we are also taking steps to prepare PSU for the future by focusing on innovation in student recruitment and retention and reviewing our operations carefully to reimagine the way we meet the needs of our students and our community while also achieving a more firm financial footing.

The challenge before us is complicated. This university is an expansive network of academic and administrative operations, but our people are at the heart of what we do. Our mission, to "Let Knowledge Serve the City" is, without question, critical to the mobility and opportunity of people in Portland. For the benefit of our students, our city and each other, we will work through our financial challenges together.

Sincerely,

Stephen Percy
President, Portland State University

2022 CAMPUS HIGHLIGHTS

INNOVATIONS IN STUDENT SUCCESS

Portland State has consistently demonstrated its unwavering commitment to student success. PSU was designated by the Center for First-generation Student Success as a First-gen Forward Institution of 2022. For two years, PSU has offered incoming first year students the opportunity to attend a Summer Bridge academy prior to the start of fall term, designed to set new students up with the knowledge and peer support necessary to be successful in college. In 2022, Provost Susan Jeffords hired PSU's first Vice Provost for Student Success Erica Wagner. In this role, Erica will take a lead role in the Students First Initiative and will oversee key offices that are critical to student success, including Advising and Career Services, the Office of Student Success, and the Transfer and Returning Student Center.

A VIBRANT DOWNTOWN CAMPUS

PSU's 50-acre downtown campus is home to state-of-the-art classrooms, labs, and recreation spaces, as well as beautifully renovated historic buildings. Thanks to support from major donors and the state of Oregon, PSU has invested more than $400 million since 2005 in new construction and renovation projects to expand and modernize our campus. At the same time, deep and ongoing partnerships with the community are stretching in new ways as we take on the particular challenges that Portland is facing. The reopening of our campus has provided a much-needed boost to Portland, bringing thousands more people downtown on a regular basis and re-energizing the business core.

REIMAGINING PSU

PSU is reimagining what it means to serve students in a community forever changed by the COVID-19 pandemic and the movement for racial justices. ReImagine PSU provides funding and support for faculty and staff projects that create transformational possibilities at a larger scale, while crafting the university of the future and meeting our current needs for a sustainable budget as most public universities face declining enrollment. PSU is building on a strong foundation of online learning to offer more flexible, hybrid, and online options. We value meeting students where they are and giving them access to exceptional programs and high academic standards on their own schedules. PSU is also evolving its groundbreaking University Studies program, our core undergraduate curriculum, into a four-year pathway tailored to each student's interests, connected to the city, and designed for success.

SUSTAINED COMMITMENT TO RACIAL JUSTICE AND EQUITY

INSIGHT Into Diversity recognized Portland State's outstanding commitment to diversity and inclusion with a 2022 Higher Education Excellence in Diversity (HEED) Award, awards are given to the nation's top colleges for diversity. PSU was also recognized as an Emerging in which Hispanic students make up between 15 and 24 percent of full-time undergraduates. PSU's share of BIPOC students is continuing to grow. The incoming class of new PSU students in fall 2022 were more than 50% BIPOC, with 25% identifying as Hispanic or Latino. Starting in the summer of 2022, PSU, led by the Office of Global Diversity and Inclusion, convened BIPOC affinity groups in partnership with community organizations with the goal of learning how PSU can support the thriving of all historically marginalized groups in the region. In November, this effort was capped with a BIPOC macroconvening to bring all the communities together with campus leadership to identify priorities and set goals. November also marked PSU's second year of the results-oriented Time to Act plan for racial justice and the operationalization of equity throughout all levels of campus operations.

KNOWLEDGE SERVES THE CITY

Fifty years ago, the City of Portland identified PSU as the city's "urban university" in its transformational 1972 Downtown Plan — a vision for public, pedestrian-scaled, multipurpose, and vital downtown. Since then, Portland State has grown into that vision for an urban university, grounded in its home city and deeply engaged with its neighbors and neighborhood in downtown Portland and beyond. No. 1 for social mobility in Oregon, PSU lives its access mission every day. PSU is proud to be ranked one of the most innovative, sustainable and transformative schools in the nation. We are nationally recognized for excellence in fields such as social work, public health, business, education, and urban and public affairs. And we earn consistently high marks for sustainability, diversity, social mobility, service learning and a welcoming LGBTQ community.

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Portland State University

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Portland State University (the University), as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the 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, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Portland State University Foundation (the Foundation), which represents 100% respectively of the 2022 and 2021 assets, net assets, and revenues of the discretely presented component. 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 Portland State University Foundation, is based solely on the reports of other auditors.

Basis for Opinions

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

Emphasis of Matter

During the fiscal year ended June 30, 2022, the University adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. As a result of the implementation of this standard, the University reported a restatement for the change in accounting principle (see Note 1B to the financial statements) as of July 1, 2020.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

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

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

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

INDEPENDENT AUDITOR'S REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the University's contributions to pension and Other Postemployment Benefit (OPEB) plans, and schedules of the University's proportionate share of pension and OPEB plans (collectively referred to as required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
February 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended June 30, 2022, 2021, and 2020 (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, 2022, 2021, and 2020.

Annual Full Time Equivalent Student Enrollment Summary

	2022	2021	2020	2019	2018
Annual FTE	**16,827**	18,016	19,211	20,237	20,653

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 19.

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

Financial Net Position Summary

Net Position increased $32 million in 2022 compared to a $8 million increase in 2021. This was primarily due to an increase in unrestricted net position.

Net Position increased $8 million in 2021 compared to a $21 million increase in 2020. This was primarily due to an increase in restricted expendable net position.

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:

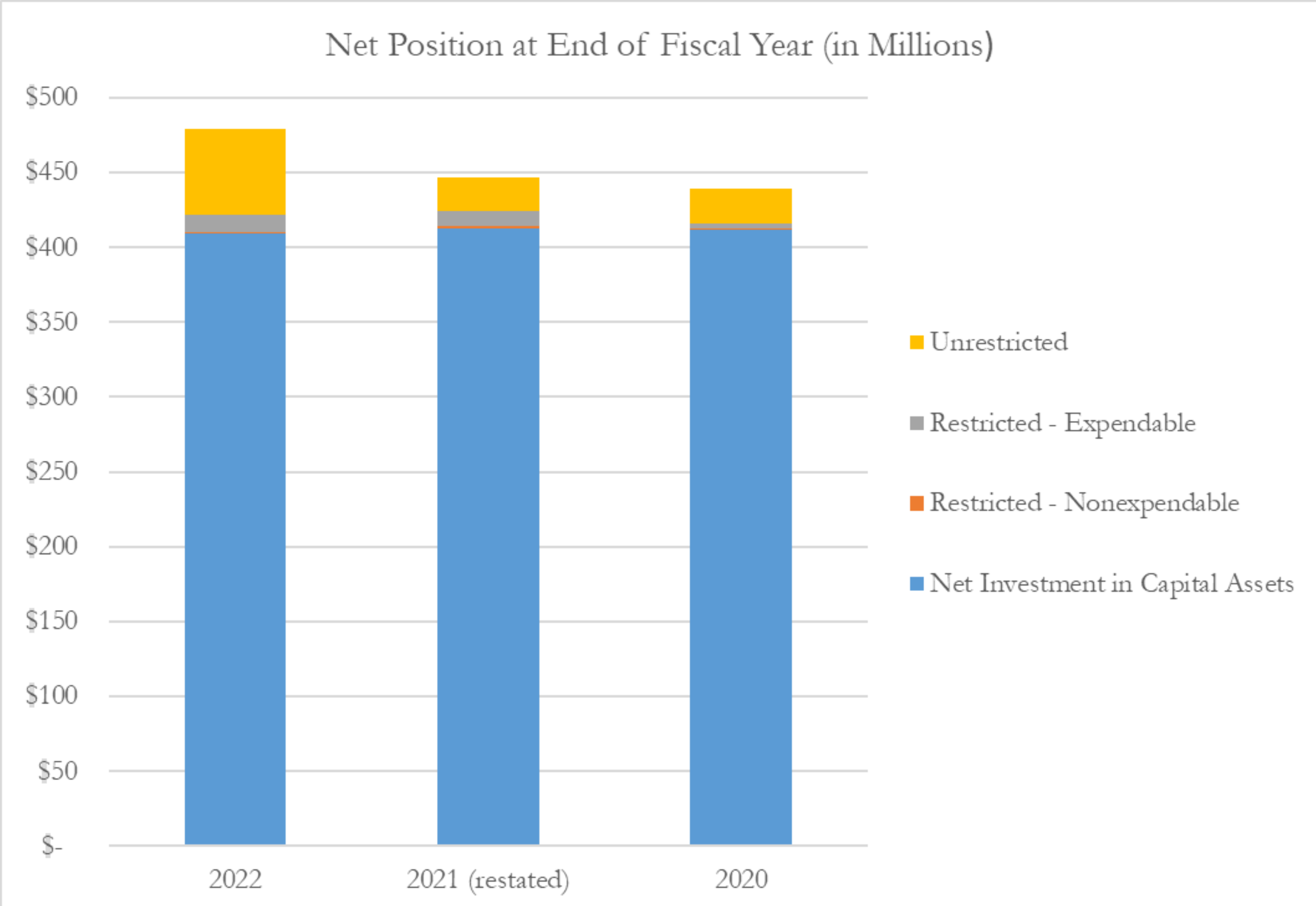
Condensed Statements of Net Position (in millions)

As of June 30,	**2022**	2021 (restated)	2020
Current Assets	**$ 184**	$ 197	$ 218
Noncurrent Assets, excluding Capital Assets, Net	**145**	131	77
Capital Assets, Net	**599**	616	618
Total Assets	**$ 928**	$ 944	$ 913
Deferred Outflows of Resources	**$ 55**	$ 62	$ 50
Current Liabilities	**$ 92**	$ 110	$ 116
Noncurrent Liabilities	**305**	421	388
Total Liabilities	**$ 397**	$ 531	$ 504
Deferred Inflows of Resources	**$ 107**	$ 28	$ 20
Net Investment in Capital Assets	**$ 409**	$ 413	$ 412
Restricted - Nonexpendable	**1**	1	1
Restricted - Expendable	**12**	10	3
Unrestricted	**57**	23	23
Total Net Position	**$ 479**	$ 447	$ 439

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended June 30, 2022, 2021, and 2020 (dollars in millions)

The following graph presents the composition of net position at June 30, 2022, 2021, and 2020.



Total Net Position

Total Net Position increased $32 million to $479 million at June 30, 2022 and increased $8 million to $447 million at June 30, 2021. The components of Total Net Position changed as follows:

- **Net Investment in Capital Assets** decreased $4 million during 2022 to $409 million due to capital asset additions, net of retirements of $15 million and repayments of long-term debt of $13 million, partially offset by $32 million of depreciation expense. Net investment in Capital Assets increased $1 million during 2021 to $413 million due to capital asset additions of $21 million and repayments of long-term debt of $12 million, partially offset by $29 million of depreciation expense, $2 million of asset retirements and additional debt due to refunding of $1 million.
- **Net Position Restricted for Nonexpendable Endowments** was consistent from year to year.
- **Restricted Expendable Net Position** increased $2 million during 2022 due to $3 million increase in the University's Other Postemployment Benefits Asset and a $1 million decrease in capital projects. Restricted Expendable Net Position increased $7 million during 2021 due to recognizing $7 million dollar of restricted revenue from Proper Portland for the Vanguard Building Project due to restrictions being met related to the build out of rental space.

- **Unrestricted Net Position** increased $34 million during 2022 mainly due to changes associated with the PERS net pension liability, net of deferrals. This increased unrestricted net position by $94 million, due primarily to a significant decrease in the net pension liability and Deferred Inflow of Resources decreased unrestricted net position by $79 million, due primarily to net difference between projected and actual earning on investments. See Note 12 for additional information. Unrestricted Net Position was consistent from year to year during 2021.

Total Assets and Deferred Outflows

Total Assets and Deferred Outflows decreased $23 million, or 2% and increased $43 million, or 4%, during the years ended June 30, 2022 and 2021, respectively.

- **Current Assets** decreased $13 million, or 7% and decreased $21 million, or 10%, during 2022 and 2021, respectively. The decrease during 2022 was primarily due to a $13 million decrease in Account Receivable, due to the year end reimbursement request of Higher Education Emergency Relief fund for lost institutional revenue as compared to the prior year request. The decrease during 2021 was primarily due to the Public University Fund Administrator reallocating excess cash holdings into the Core Bond Fund during Quarter 4 to support higher interest earnings over the long term, a decrease in the amount Due from Primary Government as the Vanport Building project (formerly the Fourth and Montgomery project) is coming to end, and partially offset by an increase in Accounts Receivable, due to a year end reimbursement request of Higher Education Emergency Relief Funds for lost institutional revenue.
- **Noncurrent Assets**, excluding Capital Assets, Net of Accumulated Depreciation, increased $14 million during 2022 primarily due to a $12 increase in Investments and a $3 increase in the Net Other Postemployment Benefit asset. Noncurrent Assets increased $54 million during 2021 primary due to an increase in Investments and the implementation of GASB 87, Leases.
- **Capital Assets, Net** decreased $17 million and $2 million, during 2022 and 2021, respectively. See "Changes to Capital Assets" in this MD&A for additional information.
- **Deferred Outflows of Resources** decreased $7 million during 2022 primarily due to the difference between plan expected and actual experience and changes in assumptions, partially offset by a decrease in investment earnings. Deferred Outflows of Resources increased $12 million during 2021 primarily due to the net difference between projected and actual earnings on investments, partially offset by a decrease due to changes in assumptions.

Total Liabilities and Deferred Inflows

Total Liabilities and Deferred Inflows decreased $55 million, or 10% and increased $35 million, or 7%, during 2022 and 2021, respectively.

- **Current Liabilities** decreased $18 million and $6 million, during in 2022 and 2021, respectively.
  - **Accounts Payable and Accrued Liabilities** increased $2 million at June 30, 2022 was primarily due to an increase in pollution remediation from the abatement of asbestos needed as part of the construction of the Vernier Science Center, which began in FY 2022. A decrease of $12 million at June 30, 2021, was mainly due to a decrease in Construction and Contract Retainage payable from the Vanport Building and other decreases due to slower University activities due to COVID.
  - **Deposits** decreased $6 million in 2022, mainly due to the timing of payroll deposit payments. Deposits decreased $5 million in 2021, due to the University spending funds that had previously been received in advance of payments from our partners related to the construction of the Vanport Building.

  - **Current Portion of Long-Term Liabilities** increased $3 million at June 30, 2022, primarily due to the current portion due on XI-F debt and Compensated Absences exceeding the prior year. Current portion of long-term liabilities decreased $2 million at June 30, 2021, due to payments exceeding additions.
  - The current portion of **Unearned Revenue** decreased $16 million at June 30, 2022 and increased $13 million at June 30, 2021. This fluctuation was mainly due to Higher Education Emergency Institutional funds outspending the Higher Education Emergency Student funds at the end of the fiscal year 2021 and the revenue being recognized in 2022.

- **Noncurrent Liabilities** decreased $116 million in 2022 and increased $33 million in 2021.
  - **Net Pension Liability** decreased $94 million during 2022 due to the net difference between projected and actual earnings on investments a change in the internal proportional share. Net Pension Liability increased $42 million during 2021 due to the difference between projected and actual investment.
  - The **Net Other Postemployment Liability** decreased $2 million from 2021 to 2022 due to changes in assumptions and changes in expected and actual economic experience. Net Other Postemployment Liability was relatively consistent from 2020 to 2021.
  - **Long-Term Liabilities** decreased $19 million during 2022 million and $1 million in 2021 due to payments exceeding additions, as there was no new debt in either year, except for recognizing debt on Leases as it relates to the implementation of GASB 87.
  - The non-current portion of **Unearned Revenue** remained relatively consistent in 2022 decreasing about $1 million and decreased $8 million in 2021 primarily due to the recognition of $7.5 million of previously deferred funds received from Prosper Portland for the Vanport Building as restrictions were.

- **Deferred Inflows of Resources** increased $79 million in 2022, primarily due to the net difference between projected and actual earnings on investments and increased $8 million in 2021 due to a $14 million deferral related to the implementation of GASB 87, net a decrease of $6 million due to an opposite difference between projected and actual earnings on investments related to pension liability.

Statements of Revenues, Expenses and Changes in Net Position

Due to the classification of certain revenues as nonoperating revenue, like 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,	**2022**	2021 (restated)	2020
Operating Revenues	**$ 313**	$ 302	$ 335
Operating Expenses	**535**	517	541
Operating Loss	**(222)**	(215)	(206)
Nonoperating Revenues, Net of Nonoperating Expenses	**236**	194	191
Other Expenses, Gains, Losses and Transfers	**18**	29	36
Increase (Decrease) in Net Position	**32**	8	21
Net Position, Beginning of Year	**447**	439	418
Net Position, End of Year	**$ 479**	$ 447	$ 439

Changes in Net Position

Net Position increased $32 million during 2022 and increased $8 million during 2021. Refer to changes in the components of Net Position under Total Net Position above.

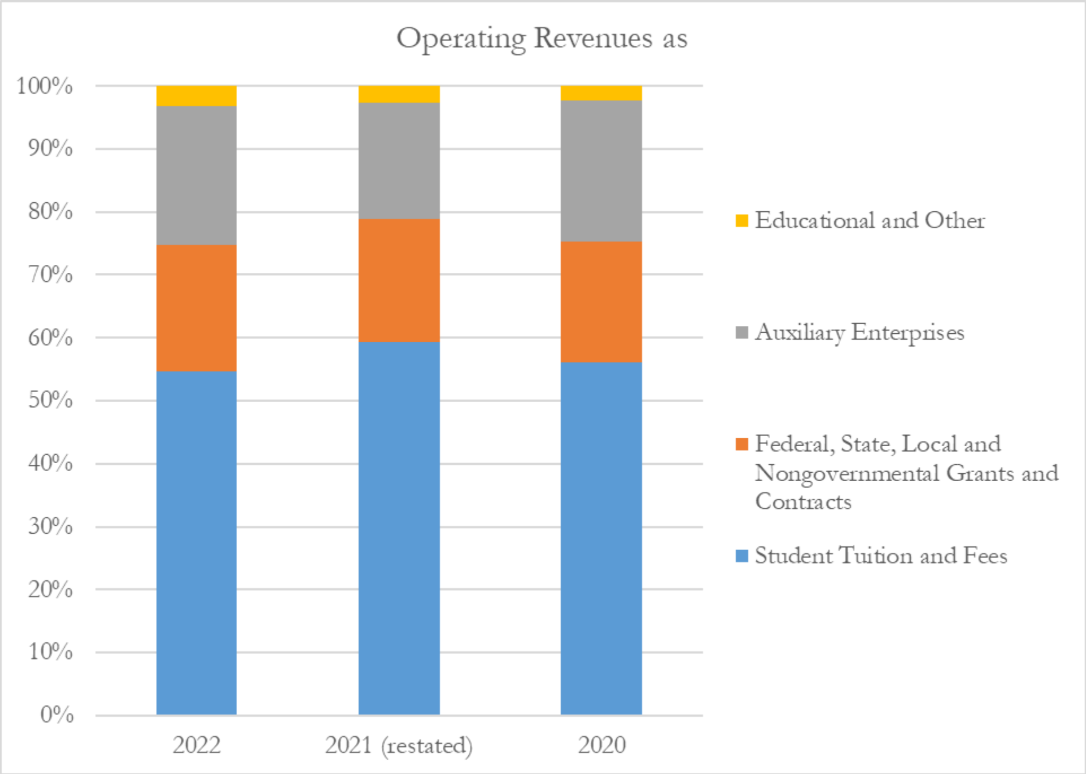
Total Operating, Nonoperating and Other Revenues (in millions)

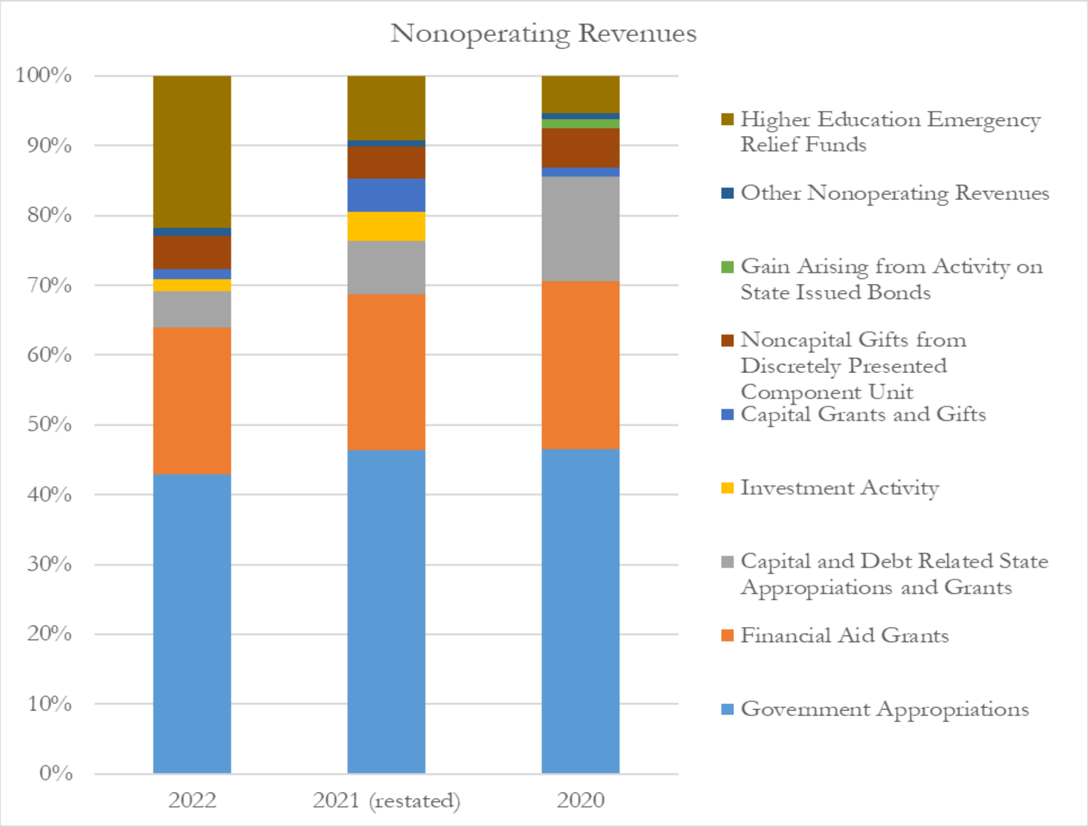
For the Year Ended June 30,	**2022**	2021 (restated)	2020
Student Tuition and Fees	**$ 171**	$ 179	$ 188
Federal, State, Local and Nongovernmental Grants and Contracts	**63**	59	64
Auxiliary Enterprises	**69**	56	75
Educational and Other	**10**	8	8
Total Operating Revenues	**313**	302	335
Government Appropriations	**117**	110	106
Financial Aid Grants	**58**	53	55
Investment Activity	**-**	5	10
Gain Arising from Activity on State Issued Bonds	**-**	-	3
Noncapital Gifts from Discretely Presented Component Unit	**13**	11	13
Capital and Debt Related State Appropriations and Grants	**13**	18	34
Capital Grants and Gifts	**4**	11	3
Higher Education Emergency Relief Funds	**60**	22	12
Other Nonoperating Revenues	**3**	2	2
Total Nonoperating and Other Revenues	**268**	232	238
Total Revenues	**$ 581**	$ 534	$ 573

Total Revenues increased $47 million, or 9%, in 2022 compared to 2021 and decreased $39 million, or 7%, in 2021 compared to 2020. 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, 2022, 2021, and 2020 (dollars in millions)





Operating Revenues

Operating Revenues increased $11 million, or 4% in 2022 compared to 2021 and decreased $33 million, or 10% in 2021 compared to 2020 as a result of the changes described below.

Student Tuition and Fees Revenues decreased $8 million, or 4.7%, in 2022 compared to 2021 despite tuition rate increase of 2.52% and 0.82% for resident and nonresident undergraduate students, 1.13% and 0.75% resident and nonresident graduate students, and a 3.66% increase in mandatory fees. The decrease was primarily due to an overall decline in student credit hours of 6.9%, which included 6.1% and 10% declines in resident and non-resident, respectively.

Student Tuition and Fees Revenues decreased $9 million, or 4.8%, in 2021 compared to 2020 despite tuition rate increases of 4.87% and 1.67% for resident and nonresident undergraduate students, 2.3% and 1.51% for resident and nonresident graduate students, and a 9.4% increase in mandatory fees. The decrease was primarily due to an overall decline in student credit hours of 6.4%, which included 3.6% and 15.2% declines in resident and non-resident, respectively.

Federal, State, Local and Nongovernmental Grants and Contracts Revenues increased $4 million, or 7% in 2022 compared to 2021 and decreased $5 million, or 8% in 2021 compared to 2020.

- Federal Grants and Contracts Revenues increased $3 million in 2022 compared to 2021, due to University operations beginning to normalize out of the COVID-19 pandemic and decreased $5 million in 2021 compared to 2020, due to a decrease in activity on the University's awarded grants brought on by the COVID-19 pandemic.
- State and Local Grants and Contracts Revenues were relatively consistent in 2022 compared to 2021 and 2021 compared to 2020.
- Nongovernmental Grants and Contracts Revenues were relatively consistent in 2022 compared to 2021 and 2021 compared to 2020.

Auxiliary Enterprises Revenues increased $14 million in 2022 compared to 2021 as the University's operations began to return to normal from the previous year's disruption brought on by the COVID-19 pandemic. Revenues decreased $19 million in 2021 compared to 2020 due to an inability to operate all activities because of the COVID-19 pandemic.

Educational and Other Operating Revenues increased $2 million in 2022 compared to 2021, due to University operations beginning to normalize out of the COVID-19 pandemic and remained relatively consistent in 2021 compared to 2020.

Nonoperating and Other Revenues increased $36 million, or 16%, in 2022 compared to 2021 and decreased $6 million, or 3%, in 2021 compared to 2020.

- **Government Appropriations Revenues** increased $7 million and $4 million in 2022 and 2021, respectively, due to higher funding received from the State of Oregon.
- **Capital and Debt Related State Appropriations and Grants Revenues** decreased $5 million in 2022 and $16 million in 2021. The 2022 decrease was due to PSU receiving $10 million less in funding because of the completion of the Vanport Building, net of a $5 million increase in funding for the Vernier Science Center, which had just begun construction in late 2021. The 2021 decrease was due to only having one major capital project being constructed, the Vanport Building, during the fiscal year. Furthermore, activity on the project was winding down and the University saw a decline in overall reimbursement requests from the State on behalf of the construction of the building

- **Financial Aid Grants Revenues** increased $5 million between 2021 and 2022 due to an increase in funds received related to the Oregon Opportunity Grant and one time funds received from the State of Oregon for student support programs. Financial Aid Grants Revenue decreased $2 million between 2020 and 2021 due to a decline in Pell awarded funds.
- **Investment Activity** decreased $11 million between 2021 and 2022 and $5 million between 2020 and 2021 due to a decline in our portfolios total distributed and lower earnings yields between years.
- **Capital Grants and Gifts Revenues**, which include capital gifts from the PSU Foundation, decreased $7 million in 2022 and increased $8 million in 2021. This fluctuation between years was mainly due to the recognition of a restricted gift from Proper Portland in 2021 related to the Vanport Building, as PSU met its obligations during the fiscal year, which was a one-time event.
- **Noncapital Gifts from Discretely Presented Component Unit** increased $2 million in 2022 as the University begins to normalize operations that were disrupted by the COVID-19 pandemic and decreased $2 million in 2021 mainly due to decreases in University activity brought on by the COVID-19 pandemic.
- **Higher Education Emergency Relief Funds (HEERF)** increased $38 million in 2022 compared to 2021 due to the recognition of $14 million in deferred revenue from 2021 and an increase of $24 million of Student Support Aid utilized. HEERF increased $10 million in 2021 compared to 2020, primarily due to the ability in 2021 for the University to seek reimbursement for lost revenue, which was previously unallowable.
- **Other Nonoperating Revenues** remained relatively consistent 2022 compared to 2021 and in 2021 compared to 2020.

Operating Expenses

Operating expenses increased $18 million, or 3% to $535 million during 2022 compared to 2021, primarily due to an increase in Student Aid Expenses from an increased use of HEERF and Auxiliary Programs costs due to University began normalizing operations that were disrupted by the COVID-19 pandemic and decreased $24 million, or 4%, to $517 million during 2021 compared to 2020, primarily due to cost savings measures and a mostly remote campus due to the COVID-19 pandemic.

The following summarizes operating expenses by functional classification.

Operating Expense by Function (in millions)

For the Year Ended June 30,	**2022**	2021 (restated)	2020
Instruction	**$ 175**	$ 183	$ 188
Auxiliary Programs	**73**	64	79
Research	**36**	37	40
Institutional Support	**52**	59	58
Academic Support	**42**	42	41
Student Aid	**66**	41	44
Public Service	**22**	21	23
Student Services	**22**	22	24
Other Operating Expenses	**47**	48	44
Total Operating Expenses	**$ 535**	$ 517	$ 541

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.

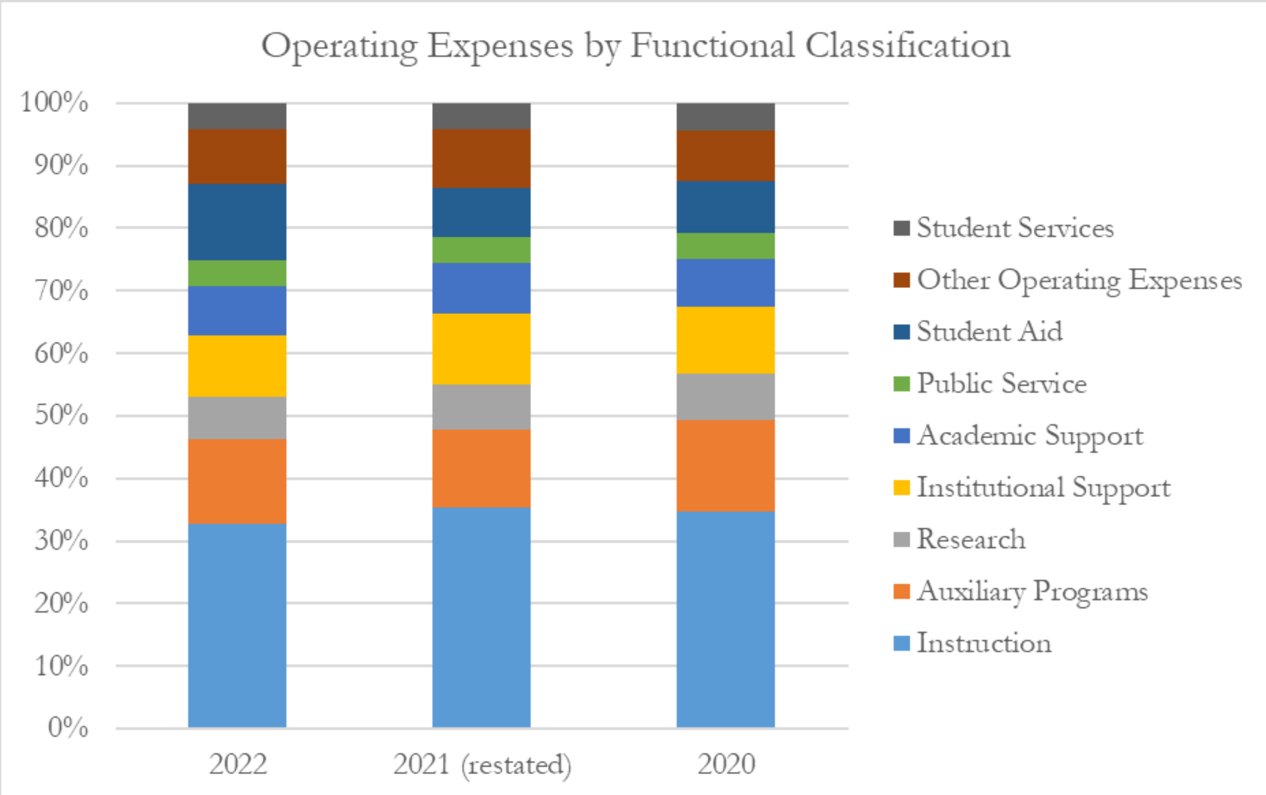
The following summarizes operating expenses by natural classification:

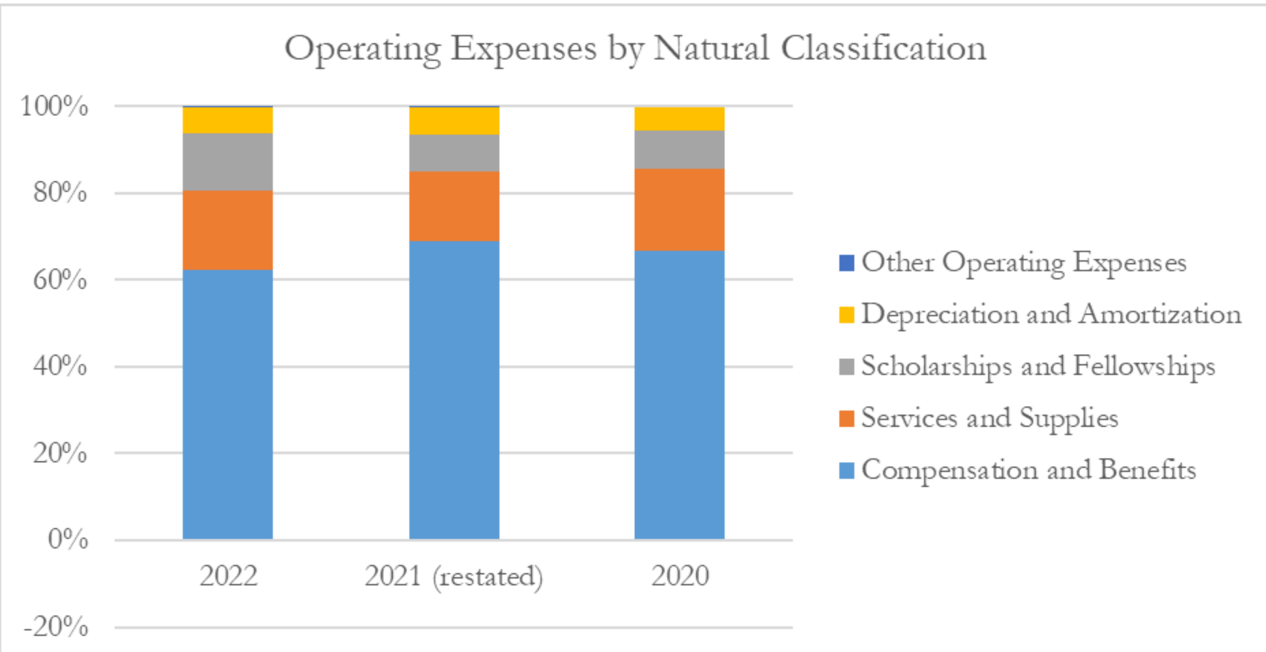
Operating Expense by Natural Classification (in millions)

For the Year Ended June 30,	**2022**	2021 (restated)	2020
Compensation and Benefits	**$ 333**	$ 356	$ 362
Services and Supplies	**$ 98**	$ 83	103
Scholarships and Fellowships	**$ 71**	$ 45	48
Depreciation and Amortization	**$ 32**	$ 32	29
Other Operating Expenses	**$ 1**	$ 1	(1)
Total Operating Expenses	**$ 535**	$ 517	$ 541

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended June 30, 2022, 2021, and 2020 (dollars in millions)





For the Years Ended June 30, 2022, 2021, and 2020 (dollars in millions)

Compensation and Benefits costs decreased $23 million, or 6% in 2022 compared to 2021 and decreased $6 million, or 2% in 2021 compared to 2020:

- A $29 million decrease in pension expense in 2022 was due primarily to the University's decrease in the proportionate share of the system's pension expense for the measurement period and a $6 million increase in pension expense in 2021 related to the University's increase in proportionate share of the system's pension expense.
- Compensation and benefit costs other than pension expense increased $6 million in 2022 as the University began normalizing operations after the impact of the COVID-19 pandemic and decreased $12 million during 2021 due to cost reduction methods instituted during the COVID-19 pandemic.

Services and Supplies expenses increased $15 million in 2022 and decreased $17 million in 2021. The increase in 2022 was due to University operations beginning to normalize from the COVID-19 pandemic and the decrease in 2021 was due to the suspension of many on-campus operations brought on by the COVID-19 pandemic.

Scholarships and Fellowships expenses increased $26 million, or 58%, in 2022 due to the distribution and increased allocation of HEERF funds the University received to students and decreased $3 million, or 6%, in 2021 due to a decrease in the use of HEERF from 2020 for student aid and a decline in Pell awarded funds.

Depreciation and Amortization expense were relatively consistent between 2022 and 2021, while expenses increased $3 million, or 10% during 2021 primarily due to the implementation of GASB 87-Leases

Other Operating Expenses were relatively consistent between 2022 and 2021 and increased $2 million in 2021, due to larger year accruals related to pollution remediation and insurance claim expenses in the prior year.

Nonoperating Expenses

For the Year Ended June 30,	**2022**	2021	2020
Interest Expense	**$ (8)**	$ (8)	$ (11)
Investment Activity	**(6)**	-	-
Other Nonoperating Expense, Net	**-**	(1)	-
Total Nonoperating Expenses	**$ (14)**	$ (9)	$ (11)

Interest Expense remaining consistent between 2022 and 2021 and decreased $3 million in 2021 due to no new debt and the defeasement of Certificate of Participation debt during 2020.

Investment Activity decreased $11 million in 2022 due to a decrease in earnings yield and that unrealized gains from FY21 turned into unrealized losses during FY22 as bond prices declined in the face of rising interest rates. Investment Activity in 2021 was a net gain as described above.

Net Other Nonoperating was a net gain in 2022 as described above and a $1 million expense in 2021 from a lost-on debt refunding.

Loss on Disposal of Assets, Net had inconsequential losses in 2022 and 2021 due to the disposal of assets that were almost fully depreciated.

Capital Assets and Related Financing Activities

Changes to Capital Assets (in millions)

For the Year Ended June 30,	**2022**	2021 (restated)	2020
Capital Assets, Beginning of Year	**$ 1,117**	$ 1,085	$ 1,044
Add: Purchases/Construction	**16**	30	41
Less: Retirements/Disposals/Adjustments	**(2)**	2	-
Total Capital Assets, End of Year	**$ 1,131**	$ 1,117	$ 1,085
Accum. Depreciation, Beginning of Year	**(501)**	(467)	(439)
Add: Depreciation Expense	**(32)**	(32)	(29)
Less: Retirements/Disposals/Adjustments	**1**	(2)	1
Total Accum. Depreciation, End of Year	**$ (532)**	$ (501)	$ (467)
Total Capital Assets, Net, End of Year	**$ 599**	$ 616	$ 618

During 2022, capital asset additions totaled $14 million, with the largest impact being $6 million of additions to Building – Construction in Progress for various projects, $3 million for capitalized renovation work on the Science Research and Teaching Center, and $2 million in capital equipment purchases. During 2021, capital asset additions totaled $32 million, $13 million of which was related to the Vanport Building, $8 million related to Leases recorded as capital assets due to the implementation of GASB 87and $3 million in capital equipment purchases. The remaining amount of additions was spread over several different projects occurring around campus.

Accumulated depreciation increased $31 million during 2022 due to $32 million of depreciation expense and a $1 million positive asset adjustment. Accumulated depreciation increased $34 million during 2021 due to $32 million of depreciation expense and $2 million of asset retirement adjustments.

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 $127 million at June 30, 2022, included $59 million for the Vernier Science Center and $55 million for Gateway Center. See Note 15 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 by the university 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 2022, there was no new debt incurred by the University and during 2021, the State of Oregon issued XI-F bonds totaling $53 million to defease existing debt of $52 million to reduce future debt service payments. Repayments of long-term debt due to the State of Oregon were $11 million and $12 million during 2022 and 2021, respectively.

During 2022 and 2021, PSU incurred eligible expenditures under the State's cost reimbursable Articles XI-G and XI-Q bond programs that gave rise to $10 million and $16 million, of capital state grants revenue.

Economic Outlook

Overall funding for PSU's major activities continues to be diversified, being generated through a variety of sources including tuition and fees, financial aid programs, state appropriations, grants and contracts through government and private sources, donor gifts, and investment earnings.

The Covid-19 pandemic is expected to continue to impact PSU in terms of both enrollment and our auxiliary enterprises. We continue to forecast a phased recovery of auxiliary enterprises which continue to be impacted by significant levels of both remote work and instruction. Net tuition revenue is predicted to continue decreasing due to two factors; significant enrollment declines in community colleges which provide the major pathway for new students to enroll, and the multiyear impact of prior year enrollment declines. The university continues to refine its strategies to stabilize enrollment and net tuition revenue. Decreases in net tuition revenue in prior years has been offset by state appropriations increases and Higher Emergency Education Relief Funds (HEERF) available from the federal government. The HEERF allocations to PSU will be fully drawn down by the end of the 2023 fiscal year. Changes in state appropriations beyond fiscal year 2023 are uncertain, being determined by both the impact of prior year enrollment changes and the financial outlook for the State of Oregon. On the expenditure side, annual inflationary increases at levels higher than in recent history will create greater upward pressure on both labor costs, and non-payroll costs. Short-term net losses resulting from cost increases and net tuition declines will be mitigated through the limited use of university reserves. In the longer term, the university will need to realize both cost reductions associated with enrollment declines and revenue growth to achieve a balanced budget.

Despite the challenges ahead, the PSU Board of Trustees and University leadership remain committed to ensuring the long-term financial health of PSU to carry out its core mission to "Let Knowledge Serve the City".

STATEMENTS OF NET POSITION

As of June 30,		University 2022		University 2021 (Restated)
		(in thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	**$**	**110,727**	$	110,286
Collateral from Securities Lending		**1,737**		1,944
Due from Primary Government		**5,749**		5,716
Accounts Receivable, Net		**61,002**		74,770
Notes Receivable, Net		**43**		55
Leases Receivable		**2,380**		2,826
Inventories		**550**		495
Prepaid Expense		**1,560**		1,226
Total Current Assets		**183,748**		197,318
Noncurrent Assets				
Investments		**130,572**		118,253
Notes Receivable – Noncurrent, Net		**45**		51
Leases Receivable		**10,742**		10,945
Net Other Postemployment Benefits Asset		**3,837**		548
Other Noncurrent Assets		**250**		250
Capital Assets, Net of Accumulated Depreciation		**599,104**		615,682
Total Noncurrent Assets		**744,550**		745,729
TOTAL ASSETS	**$**	**928,298**	$	943,047
DEFERRED OUTFLOWS OF RESOURCES	**$**	**54,934**	$	62,261
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	**$**	**25,924**	$	24,152
Obligations Under Securities Lending		**1,737**		1,944
Payroll Deposits and Other Liabilities		**13,866**		20,517
Current Portion of Long-Term Liabilities		**24,803**		21,383
Unearned Revenues		**25,549**		42,000
Total Current Liabilities		**91,879**		109,996
Noncurrent Liabilities				
Unearned Revenues	**$**	**13,580**	$	14,188
Net Pension Liability		**96,263**		190,338
Other Postemployment Benefits Liability		**4,817**		6,322
Long-Term Liabilities		**190,822**		209,899
Total Noncurrent Liabilities		**305,482**		420,747
TOTAL LIABILITIES	**$**	**397,361**	$	530,743
DEFERRED INFLOWS OF RESOURCES	**$**	**107,042**	$	27,895
NET POSITION				
Net Investment in Capital Assets	**$**	**409,149**	$	413,357
Restricted for:				
Nonexpendable Endowments		**1,285**		1,285
Expendable:				
Gifts, Grants and Contracts		**688**		1,060
Capital Projects		**6,852**		7,695
Student Loans		**525**		510
Other Postemployment Benefits Asset		**3,837**		548
Unrestricted		**56,493**		22,215
TOTAL NET POSITION	**$**	**478,829**	$	446,670

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

STATEMENTS OF FINANCIAL POSITION

As of June 30,		Component Unit 2022		2021
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**8,453**	$	11,372
Contributions, Pledges and Grants Receivable, Net		**16,278**		16,058
Investments		**135,289**		139,796
Prepaid Expenses and Other Assets		**1,218**		936
Property and Equipment, Net		2,066		2,273
Total Assets	$	163,304	$	170,435
LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**908**	$	820
Accounts Payable to University		**1,714**		1,216
Notes Payable and Capital Lease Commitments		**1,716**		1,791
Obligations to Beneficiaries of Split-Interest Agreements		**2,124**		2,228
Endowments Held for University		**2,501**		2,888
Total Liabilities	$	8,963	$	8,943
NET ASSETS				
Without donor restrictions	$	10,019	$	9,728
With donor restrictions		144,322		151,764
Total Net Assets		154,341		161,492
TOTAL LIABILITIES AND NET ASSETS	$	163,304	$	170,435

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30,		University 2022		University 2021 (Restated)
		(In thousands)		
OPERATING REVENUES				
Student Tuition and Fees (Net of Allowances)	$	**170,569**	$	178,792
Federal Grants and Contracts		**42,423**		39,500
State and Local Grants and Contracts		**15,627**		15,036
Nongovernmental Grants and Contracts		**5,083**		4,629
Educational Department Sales and Services		**4,509**		3,176
Auxiliary Enterprises Revenues (Net of Allowances)		**69,578**		55,377
Other Operating Revenues		**5,582**		5,691
Total Operating Revenues		**313,371**		302,201
OPERATING EXPENSES				
Instruction		**175,093**		182,871
Research		**36,389**		36,893
Public Service		**21,604**		20,940
Academic Support		**41,896**		42,072
Student Services		**21,568**		22,490
Auxiliary Programs		**73,368**		64,244
Institutional Support		**51,723**		59,426
Operation and Maintenance of Plant		**22,663**		22,732
Student Aid		**65,575**		41,088
Other Operating Expenses		**24,882**		24,730
Total Operating Expenses		**534,761**		517,486
Operating Loss		**(221,390)**		(215,285)
NONOPERATING REVENUES (EXPENSES)				
Government Appropriations		**117,551**		109,707
Financial Aid Grants		**57,633**		53,400
Investment Activity		**(6,182)**		4,714
Gain (Loss) on Disposal of Assets, Net		**(67)**		(181)
Interest Expense		**(8,399)**		(8,039)
Gain (Loss) Arising from Activity on State Issued Bonds		**-**		(1,288)
Noncapital Gifts from Discretely Presented Component Unit		**12,756**		11,464
Higher Education Emergency Relief Funds		**60,422**		21,906
Other Nonoperating Items		**2,580**		2,213
Total Nonoperating Revenues (Expenses)		**236,294**		193,896
Loss Before Other Expenses, Gains, Losses and Transfers		**14,904**		(21,389)
Capital and Debt Related State Appropriations and Grants		**13,634**		18,135
Capital Grants and Gifts		**3,621**		11,057
Total Other (Expenses), Gains, (Losses) and Transfers		**17,255**		29,192
Increase (Decrease) In Net Position		**32,159**		7,803
NET POSITION				
Beginning Balance		**446,670**		438,867
Ending Balance	$	**478,829**	$	446,670

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

STATEMENTS OF ACTIVITIES

Statements of Activities

For The Year Ended June 30,	Component Unit 2022 Without Donor Restrictions	With Donor Restrictions	Total	2021 Without Donor Restrictions	With Donor Restrictions	Total
	(In thousands)					
REVENUES, GAINS AND OTHER SUPPORT						
Contributions and grants	**$ 1,331**	**$ 17,839**	**$ 19,170**	**$ 1,452**	**$ 20,898**	**$ 22,350**
Special Events	**85**	**432**	**517**	**139**	**131**	**270**
Portland State University Contract Revenue	**6,761**	**-**	**6,761**	**6,977**	**-**	**6,977**
Investment Income (Loss), Net	**(1,834)**	**(10,137)**	**(11,971)**	**109**	**19,200**	**19,309**
Contribution of Portland State University Alumni Association	**376**	**-**	**376**			
Forgiveness of PPP Loan	**-**	**-**	**-**	**1,169**	**-**	**1,169**
Rental Income	**386**	**-**	**386**	**462**	**-**	**462**
Other Revenues	**5**	**1,459**	**1,464**	**-**	**(528)**	**(528)**
Net Assets Released From Restrictions and Other Transfers	**17,035**	**(17,035)**	**-**	**17,713**	**(17,713)**	**-**
Total Revenues, Gains, and Other Support	**$ 24,145**	**$ (7,442)**	**$ 16,703**	**$ 28,021**	**$ 21,988**	**$ 50,009**
EXPENSES						
University Support	**16,137**	**-**	**16,137**	**17,792**	**-**	**17,792**
General and Administrative	**2,631**	**-**	**2,631**	**2,754**	**-**	**2,754**
Other Expenses	**5,086**	**-**	**5,086**	**4,649**	**-**	**4,649**
Total Expenses	**23,854**	**-**	**23,854**	**25,195**	**-**	**25,195**
Increase (Decrease) In Net Assets	**291**	**(7,442)**	**(7,151)**	**2,826**	**21,988**	**24,814**
Beginning Balance, Net Assets	9,728	151,764	161,492	6,902	129,776	136,678
Ending Balance, Net Assets	$ 10,019	$ 144,322	$ 154,341	$ 9,728	$ 151,764	$ 161,492

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,		University 2022		University 2021 (Restated)
		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	**$**	**170,453**	$	187,376
Grants and Contracts		**61,988**		60,475
Educational Department Sales and Services		**4,509**		3,176
Auxiliary Enterprises Operations		**68,205**		53,812
Payments to Employees for Compensation and Benefits		**(354,303)**		(333,696)
Payments to Suppliers		**(95,396)**		(86,400)
Student Financial Aid		**(70,827)**		(45,809)
Other Operating Receipts		**6,151**		4,911
Fiduciary Activities - Direct Student Loan Receipts		**85,632**		92,518
Fiduciary Activities - Direct Student Loan Disbursements		**(85,544)**		(92,325)
Net Cash Provided Used by Operating Activities		**(209,132)**		(155,962)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations		**117,551**		109,707
Financial Aid Grants		**57,633**		53,400
Higher Education Emergency Relief Funds		**59,891**		12,095
Other Gifts and Private Contracts		**2,580**		2,252
Noncapital Gifts from Discretely Presented Component Unit		**12,119**		12,308
Other Receipts (Payments)		**(88)**		(193)
Net Cash Provided by Noncapital Financing Activities		**249,686**		189,569
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital and Debt Related State Appropriations and Grants		**13,601**		22,051
Capital Grants and Gifts		**3,047**		3,532
Proceeds from Sales of Capital Assets		**9**		173
Purchases of Capital Assets		**(15,829)**		(29,877)
Interest Payments on Capital Debt		**(9,587)**		(9,680)
Principal Payments on Capital Debt		**(12,852)**		(13,982)
Net Cash (Used) by Capital and Related Financing Activities		**(21,611)**		(27,783)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments		**(23,193)**		(43,416)
Interest and Earnings on Investments and Cash Balances		**4,692**		4,778
Net Cash Provided (Used) by Investing Activities		**(18,501)**		(38,638)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**442**		(32,814)
CASH AND CASH EQUIVALENTS				
Beginning Balance		**110,286**		143,100
Ending Balance	**$**	**110,727**	$	110,286

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

STATEMENTS OF CASH FLOWS—CONTINUED

For the Years Ended June 30,	University 2022	University 2021 (Restated)
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (221,390)	$ (215,285)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	32,292	31,614
Fiduciary Student Loans	88	193
Changes in Assets and Liabilities:		
Accounts Receivable	76	9,584
Notes Receivable	18	23
Lease Receivable and Related Deferrals	40	(33)
Inventories	(55)	162
Prepaid Expenses	(334)	224
Accounts Payable and Accrued Liabilities	4,033	(1,911)
Net Pension Liability and Related Deferrals	(10,593)	24,312
Other Post Employement Benefit Asset/(Liability) and Related Deferrals	(1,194)	(40)
Long-Term Liabilities	(3,264)	1,822
Payoll Deposits and Other Liabilities	(6,651)	(4,601)
Unearned Revenue	(2,198)	(2,026)
NET CASH USED BY OPERATING ACTIVITIES	$ (209,132)	$ (155,962)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts in Kind	$ 574	$ 34
Gain (Loss) arising from State's Refunding of State Issued Debt	-	(1,288)
Increase (Decrease) in Fair Value of Investments Recognized as a a Component of Investment Activity	(10,874)	(189)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021 (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 19 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 Annual Comprehensive Financial Report (ACFR) 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

PSU implemented GASB Statement No. 87, Leases, in 2022. The new standard required a restatement of the 2021 financial statements to provide consistency with the 2022 financial statements. GASB Statement No. 87 improves the accounting and financial reporting for leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement substantially impacts the university's lease accounting and reporting. Previously, unless a lease met specific criteria for capitalization, lessee leases were recorded as operating lease expense and lessor leases were recorded as operating lease revenue in the Statement of Revenue, Expenses and Changes in Net Position. See Note 1, Section H. for further details regarding the impacts to the fiscal year 2021 financial statements due to the implementation of this standard.

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

UPCOMING ACCOUNTING STANDARDS

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* (GASB No. 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB No. 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP) Disclosures related to nonmonetary transactions

- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal year ended June 30, 2024. Not all sections of the Statement will be applicable to the university. The Statement is being reviewed for applicability and impact on the university's financial statements.

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

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

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 include highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist 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 acquisition 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.

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. LEASES

The university determines if an arrangement is a lease at inception. Lessee arrangements include Right-of-Use (ROU) lease assets in capital assets and lease liabilities in current and noncurrent long-term liabilities in the statements of net position.

ROU lease assets represent the university's control of the right to use an underlying asset for the noncancelable lease term, as specified in the contract, in an exchange or exchange-like transaction. ROU lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. ROU lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the university's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the university will exercise that option.

Per PSU policy, the university has elected to recognize payments for short-term leases with a lease term of 12 months or less and all leases with an approximate present value of less than five thousand dollars as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the university's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

PSU recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. Per university policy, PSU also recognizes payments received on leases with an approximate initial calculated net present value of five thousand dollars or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

I. Deferred Outflows of Resources

Deferred Outflows of Resources represent expected future decreases in net position. At June 30, 2022, deferred outflows were $54,934, comprised of $53,975 related to defined benefit pension plans and $959 related to defined benefit OPEB plans. Included in these amounts were $19,193 and $252 of contributions made subsequent to the measurement date for the pension and OPEB plans, respectively. At June 30, 2021, deferred outflows were $62,261, comprised of $60,636 related to defined benefit pension plans and $1,625 related to defined benefit OPEB plans. Included in these amounts were $16,201 and $366 of contributions made subsequent to the measurement date for the pension and OPEB plans, respectively. Refer to Notes 13 and 14 for additional information.

J. Unearned Revenues

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

K. 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.

L. Deferred Inflows of Resources

Deferred Inflows of Resources represent future increases in net position. At June 30, 2022, deferred inflows were $107,042, comprised of $88,947 associated with defined benefit pension plan, $4,965 associated with defined benefit OPEB plans and $13,130 associated with leases. At June 30, 2021, deferred inflows were $27,895, comprised of $12,127 associated with defined benefit pension plans, $2,030 associated with defined benefit OPEB plans and $13,738 associated with leases.. Refer to Notes 13 and 14 for additional information about the defined benefit pension plans and OPEB.

M. 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.

N. 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% 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, 2022 and 2021, respectively, represent the original corpus of true endowment funds and does not include the accumulated gains on those endowments.

O. 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 liability has been recorded because quarterly estimated payments are made during the year for the amount of unrelated business income tax generated.

P. 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.

Q. Higher Education Emergency Relief Fund

In 2020, the university was awarded $16,640 from the U.S. Department of Education through the CARES Act for the Higher Education Emergency Relief Fund (HEERF), which is split equally to be used on Student Emergency Aid and Institutional Aid and an additional $827 through the Strengthening the Institution program. In 2021, the University then was awarded $32,041 from the U.S Department of Education by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which allocated $8,320 to Student Aid, $22,420 to Institutional Aid, and $1,301 to Strengthening the Institution. Lastly, the University was awarded $56,439, through the American Rescue Plan (ARP), which allocated $27,338 of Student Aid, $26,715 of Institutional Aid, and $2,386 of Strengthening the Institution Aid. In 2022, the University incurred allowable costs on $30,019 in Student Aid, $14,532 of Institutional Aid, and $1,010 of Strengthening the Institution Aid. Of the total award, the university incurred allowable costs in 2021 of $5,463 in Student Aid, $30,449 of Institutional Aid, and $855 of Strengthening the Institution Aid. Due to the provisions of the grant agreements, Institutional Aid can only be recognized in an amount equal to the proportion of Student Aid spent. Therefore, only $21,906 of the allowable costs incurred was recognize as revenue, while the remaining $14,861 was deferred and recognized in 2022 The remaining unspent award amounts of $11,993 is anticipated to be utilized on eligible costs in 2023.

R. 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 $16,713 and $20,363 for the fiscal years ended 2022 and 2021, 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 $29,166 and $26,000 for the fiscal years ended 2022 and 2021, respectively. Bad debt expense is included as an allowance to operating revenues and was $1,827 and $1,961 for the fiscal years ended 2022 and 2021, respectively.

S. 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 as an agency activity. Federal student loans received by PSU students but not reported in in the SRECNP were $85,544 and $92,325 for the fiscal years ended 2022 and 2021, respectively.

T. 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.

U. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

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

The implementation of GASB Statement No. 87 in fiscal year 2022 required retrospective restatement of all financial years presented. Accordingly, fiscal year 2021 financial information has been restated to reflect the implementation. For fiscal year 2021, PSU decreased operating revenue by $221, increased operating expenses by $68, and increased nonoperating revenues by $181 for a net impact to the Statement of Revenues, Expenses and Changes in Net Position of $108. PSU recorded an additional $20,088 in total assets, an additional $6,458 in total liabilities, an increase of $13,738 in deferred inflows, and a $108 decrease in total net position in the State of Net Position for the fiscal year ended June 30, 2021.

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, 2022 and 2021, PSU had $7,575 and $11,573 of cash and cash equivalents and investments associated with matching funds unconditionally and irrevocably available for specified capital projects, respectively. Additionally, at June 30, 2022 and 2021, PSU had $17,921 and $13,520 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, 2022 and 2021, PSU cash and cash equivalents on deposit in the OSTF at State Treasury were $110,665 and $110,223, 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 https://www.oregon.gov/treasury/news-data/pages/treasury-news-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

For the year ended June 30, 2022 and 2021, PSU had vault and petty cash balances of $62 and $63, respectively.

B. Investments

At June 30, 2022, PSU's investments included $128,072 held in the PUF's Core Bond Fund managed by State Treasury and $2,501 of endowments held at the PSU Foundation with a nonexpendable corpus of $1,285. At June 30, 2021, PSU's investments included $115,365 held in PUF's Core Bond Fund managed by State Treasury and $2,888 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.

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, 2022 and 2021.

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, 2022, approximately 100 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 $311,294 at June 30, 2022. Fixed income securities that have not been evaluated by the rating agencies totaled $14,714 at June 30, 2022. The PUF Investment Pools totaled $326,008 at June 30, 2022, of which PSU owned $128,072, or 39.7 percent.

Based on these parameters, as of June 30, 2021, approximately 94.5 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 $223,564 at June 30, 2021. Fixed income securities that have not been evaluated by the rating agencies totaled $31,546 at June 30, 2021. The PUF Investment Pools totaled $270,091 at June 30, 2021, of which PSU owned $115,365, or 42.7 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, 2022 and 2021.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. For the years ended June 30, 2022 and 2021, securities in the PUF Investment Pool held subject to interest rate risk totaling $326,008 and $255,110 with an average duration of 3.70 and 4.04, 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, 2020 and 2019. 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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

3. ACCOUNTS RECEIVABLE

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

	June 30, 2022	June 30, 2021
Student Tuition and Fees	$ 21,644	$ 21,530
Auxiliary Enterprises and Other Operating Activities	8,197	7,392
Federal Grants and Contracts	27,386	39,384
PSU Foundation	1,538	901
State, Other Government, and Private Gifts, Grants and Contracts	8,085	10,092
Other	4,982	5,551
	71,832	84,850
Less: Allowance for Doubtful Accounts	(10,830)	(10,080)
Accounts Receivable, Net	$ 61,002	$ 74,770

Amounts Due from Primary Government of $5,749 and $5,716 at June 30, 2022 and 2021, respectively, were attributable to cost reimbursable State bond proceeds for capital projects.

4. NOTES RECEIVABLE

Notes Receivable were comprised of the following:

	June 30, 2022			June 30, 2021		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Institutional and Other Student Loans	**$ 37**	**$ -**	**$ 37**	**$ 49**	**$ -**	**$ 49**
Auxiliary	**6**	**44**	**50**	**6**	**49**	**55**
Federal Student Loans	**-**	**1**	**1**	**-**	**2**	**2**
Total Notes Receivable	**$ 43**	**$ 45**	**$ 88**	**$ 55**	**$ 51**	**$ 106**
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-
Notes Receivable, Net	$ 43	$ 45	$ 88	$ 55	$ 51	$ 106

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2020	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2021	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2022
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 65,760	$ -	$ -	$ -	$ 65,760	$ -	$ -	$ -	$ 65,760
Capitalized Collections	4,386	545	-	(5)	4,926	67	-	-	4,993
Construction in Progress	40,425	2,688	(38,137)	(206)	4,770	6,448	(3,437)	(5)	7,776
Total Capital Assets,									
Non-depreciable/Non-amortizable	110,571	3,233	(38,137)	(211)	75,456	6,515	(3,437)	(5)	78,529
Capital Assets, Depreciable/									
Amortizable:									
Equipment	55,695	3,260	62	(507)	58,510	2,337	254	(640)	60,461
Library Materials	85,459	91	-	(83)	85,467	105	-	(22)	85,550
Buildings	781,106	14,163	38,075	2,584	835,928	6,154	3,084	-	845,166
Land Improvements	5,834	-	-	-	5,834	-	-	-	5,834
Improvements Other Than Buildings	5,697	-	-	-	5,697	-	-	-	5,697
Infrastructure	32,571	456	-	-	33,027	13	99	-	33,139
Intangible Assets	8,488	-	-	-	8,488	-	-	(267)	8,221
ROU Leased Buildings	-	4,362	-	(70)	4,292	666	-	(133)	4,825
ROU Leased Land	-	4,159	-	-	4,159	-	-	-	4,159
Total Capital Assets,									
Depreciable/Amortizable	974,850	26,491	38,137	1,924	1,041,402	9,275	3,437	(1,062)	1,053,052
Less Accumulated Depreciation/									
Amortization for:									
Equipment	(47,067)	(2,764)	-	488	(49,343)	(2,675)	-	569	(51,449)
Library Materials	(83,877)	(408)	-	83	(84,202)	(335)	-	22	(84,515)
Buildings	(302,015)	(24,539)	-	(2,741)	(329,295)	(25,368)	-	-	(354,663)
Land Improvements	(4,167)	(215)	-	-	(4,382)	(215)	-	-	(4,597)
Improvements Other Than Buildings	(5,044)	(49)	-	-	(5,093)	(49)	-	-	(5,142)
Infrastructure	(17,224)	(1,389)	-	-	(18,613)	(1,412)	-	-	(20,025)
Intangible Assets	(8,068)	(47)	-	-	(8,115)	(47)	-	267	(7,895)
ROU Leased Buildings	-	(890)	-	70	(820)	(878)	-	133	(1,565)
ROU Leased Land	-	(1,313)	-	-	(1,313)	(1,313)	-	-	(2,626)
Total Accumulated Depreciation/									
Amortization	(467,462)	(31,614)	-	(2,100)	(501,176)	(32,292)	-	991	(532,477)
Total Capital Assets, Net	$ 617,959	$ (1,890)	$ -	$ (387)	$ 615,682	$ (16,502)	$ -	$ (76)	$ 599,104
Capital Assets Summary									
Capital Assets, Non-depreciable/									
Non-amortizable	$ 110,571	$ 3,233	$ (38,137)	$ (211)	$ 75,456	$ 6,515	$ (3,437)	$ (5)	$ 78,529
Capital Assets, Depreciable/									
Amortizable	974,850	26,491	38,137	1,924	1,041,402	9,275	3,437	(1,062)	1,053,052
Total Cost of Capital Assets	1,085,421	29,724	-	1,713	1,116,858	15,790	-	(1,067)	1,131,581
Less Accumulated Depreciation/									
Amortization	(467,462)	(31,614)	-	(2,100)	(501,176)	(32,292)	-	991	(532,477)
Total Capital Assets, Net	$ 617,959	$ (1,890)	$ -	$ (387)	$ 615,682	$ (16,502)	$ -	$ (76)	$ 599,104

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities were comprised of the following:

	June 30, 2022	June 30, 2021
Construction, Services and Supplies	$ 11,459	$ 7,235
Salaries and Wages	9,875	10,156
Accrued Interest	2,929	3,911
Contract Retainage Payable	257	1,625
Other	1,404	1,225
Total	$ 25,924	$ 24,152

7. LEASES

LESSEE ARRANGEMENTS

PSU leases office equipment, space and land from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through fiscal year 2052 and provide for renewal options ranging from one year to five years. In accordance with GASB Statement No. 87, the university records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the university's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The university had no variable lease expense during fiscal years 2022 or 2021. The university has multiple leases featuring payments tied to an index or market rate. The university does not have any leases subject to a residual value guarantee. PSU has one related-party lessee arrangement with the PSU Foundation. The university leases the Corbett building from the foundation at market rate with no special considerations included in the lease terms; see Note 19 University Foundation. See Note 5 Capital Assets for information on right-to-use assets and associated accumulated amortization. See Note 8 Long-Term Liabilities for future payments schedule.

LESSOR ARRANGEMENTS

PSU leases office, food service, and educational space and land to external parties. The university records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or by using the university's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2022 and 2021 the university recognized lease revenues related to lessor agreements totaling $2,889 and $2,873, respectively. The university also recognized interest revenues totaling $263 and $253, during the fiscal years ended June 30, 2022 and 2021, respectively.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

There is one lease leaseback arrangement included in the balances associated with lessor activity. For this item, PSU-owned land is leased to a third party who owns a building that resides on this PSU land. The third-party leases back to PSU space in the building. GASB 87 guidelines require that these two leases be accounted for as one net transaction. Below are the separately stated amounts of the ground lease and the relating building leaseback.

	Balance June 30, 2022		Balance June 30, 2021	
	Deferred Inflow	Lease Receivable	Deferred Inflow	Lease Receivable
Ground Lease	$8,388	$8,135	$8,544	$8,422
	Right of Use Asset	Lease Liability	Right of Use Asset	Lease Liability
Building Leaseback	$5,670	$5,816	$5,775	$5,849

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, as the university is not required to repay these proceeds.

The State also issues Article XI-F(1) debt to support PSU capital projects. The State is the issuer of the bonds and 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 revenues are utilized to service debt on XI-F(1) bonds

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, 2022

	Balance June 30, 2021	**Additions**	**Reductions**	**Balance June 30, 2022**	**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)	$ 156,108	**$ -**	**$ (7,841)**	**$ 148,267**	**$ 9,938**	**$ 138,329**
Note Payable to State of Oregon (XI-Q G.O. Bonds)	13,215	**-**	**(680)**	**12,535**	**715**	**11,820**
Oregon Department of Energy Loans (SELP)	26,565	**-**	**(2,355)**	**24,210**	**2,440**	**21,770**
Leases	6,458	**666**	**(2,181)**	**4,943**	**2,310**	**2,633**
Local Improvement District Obligations	2,120		**(211)**	**1,909**	**220**	**1,689**
Total Long-Term Debt	204,466	**666**	**(13,268)**	**191,864**	**15,623**	**176,241**
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	11,038	**-**	**(1,145)**	**9,893**	**1,535**	**8,358**
Compensated Absences	15,776	**3,225**	**(5,133)**	**13,868**	**7,645**	**6,223**
Total Other Noncurrent Liabilities	26,814	**3,225**	**(6,278)**	**23,761**	**9,180**	**14,581**
Total Long-Term Liabilities	$ 231,280	**$ 3,891**	**$ (19,546)**	**$ 215,625**	**$ 24,803**	**$ 190,822**

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

Long-term liability activity was as follows for the year ended June 30, 2021

	Balance June 30, 2020	Additions	Reductions	**Balance June 30, 2021***	**Amount Due Within One Year**	**Long-Term Portion**
Long-Term Debt						
Direct Borrowing Through Contracts Payable with the State:						
Note Payable to State of Oregon (XI-F(1) G.O. Bonds)	$ 163,597	**$ 53,288**	**$ (60,776)**	**$ 156,109**	**$ 7,841**	**$ 148,269**
Note Payable to State of Oregon (XI-Q G.O. Bonds)	14,125	**-**	**(910)**	**13,215**	**680**	**12,535**
Oregon Department of Energy Loans (SELP)	28,920	**-**	**(2,355)**	**26,565**	**2,335**	**24,230**
Leases	-	**8,499**	**(2,041)**	**6,458**	**2,146**	**4,312**
Local Improvement District Obligations	2,322		**(202)**	**2,120**	**211**	**1,909**
Total Long-Term Debt	208,964	**61,787**	**(66,284)**	**204,467**	**13,213**	**191,255**
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	12,608	**-**	**(1,570)**	**11,038**	**1,448**	**9,590**
Compensated Absences	12,184	**8,296**	**(4,704)**	**15,776**	**6,722**	**9,054**
Total Other Noncurrent Liabilities	24,792	**8,296**	**(6,274)**	**26,814**	**8,170**	**18,644**
Total Long-Term Liabilities	$ 233,756	**$ 70,083**	**$ (72,558)**	**$ 231,281**	**$ 21,383**	**$ 209,899**

*As Restated, see Note 1Q

Future debt service is as follows at June 30, 2022:

For the Year Ending June 30,	General Obligation Bonds XI-F(1)	XIQ	SELP	LIDs	Leases	Total Payments	Principal	Interest
2023	$ 15,259	$ 1,342	$ 3,424	$ 296	$ 2,257	$ 22,578	$ 15,515	$ 7,063
2024	15,710	1,340	3,424	295	966	21,735	15,213	6,522
2025	16,081	1,339	3,424	296	949	22,089	16,122	5,967
2026	15,683	1,339	3,424	295	298	21,039	15,627	5,412
2027	15,710	1,338	3,424	296	296	21,064	16,219	4,845
2028-2032	59,345	6,659	11,744	752	90	78,590	62,184	16,406
2033-2037	33,042	3,977	-	-	103	37,122	29,552	7,570
2038-2042	23,305	-	-	-	113	23,418	21,273	2,145
2043-2047	-		-	-	125	125	107	18
2048-2052					53	53	52	1
Accreted Interest							-	-
							$ 191,864	$ 55,949
Total Future Debt Service	**194,135**	**17,334**	**28,864**	**2,230**	**5,250**	**247,813**		
Less: Interest Component of Future Payments	(45,868)	(4,799)	(4,654)	(321)	(307)	(55,949)		
Principal Portion of Future Payments	**148,267**	**12,535**	**24,210**	**1,909**	**4,943**	**191,864**		
Adjusted by: Unamortized Bond Premiums	-	-	-	-	-	-		
Total Long-Term Debt	**$ 148,267**	**$ 12,535**	**$ 24,210**	**$ 1,909**	**$ 4,943**	**$ 191,864**		

A. Direct Borrowing Through Contracts Payable with the State

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.

During the year ended June 30, 2021, PSU recognized a Loss Arising from Activity on State Issue Bonds in the Statement of Revenue and Expenses of $1,288 from refinancing XI-F(1) series 2020NO bonds and XI-F(1) series 2021HI bonds.

In the event of default, the state could withhold future disbursements of state general fund appropriations up to the amount of default.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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 2032.

C. DEFEASED DEBT

From time to time and when fiscally appropriate, the State Treasury will sell bonds and use the proceeds to defease other debt.

During the year ended June 30, 2021, Article XI-F(1) series 2020NO bonds with a par value of $27,270 were issued at an average interest rate of 2.08 percent to defease existing debt with a par value of $29,159 at an average interest rate of 4.89 percent. The defeasance reduces future debt service payment by $7,310 and resulted in a $6,733 economic gain.

Additionally, Article XI-F(1) series 2021HI bonds with a par value of $26,000 were issued at an average interest rate of 2.06 percent to defease existing debt with a par value of $22,823 at an average interest rate of 4.66 percent. The defeasance reduces future debt service payment by $2,006 and resulted in a $1,979 economic gain.

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 ACFR. Interest expense was paid in the amount of $1,182 and $915 for June 30, 2022 and 2021, respectively. Principal payments of $1,145 and $1,570 were applied to the liability for June 30, 2022 and 2021, respectively.

9. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2022	June 30, 2021
Investment Earnings	$ 3,010	$ 4,076
Royalties and Technology Transfer Income	1,540	807
Endowment Income	142	20
Net Appreciation (Depreciation) of Investments	(10,874)	(189)
Total Investment Activity	$ (6,182)	$ 4,714

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

10. 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, 2022	June 30, 2021
Compensation and Benefits	$ 332,725	$ 355,696
Services and Supplies	97,550	83,771
Scholarships and Fellowships	70,634	45,616
Depreciation and Amortization	32,292	31,614
Other Expenses	1,560	789
Total Operating Expenses	$ 534,761	$ 517,486

11. GOVERNMENT APPROPRIATIONS

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

	June 30, 2022				June 30, 2021			
	General Operations	Capital Projects Related	Debt Service	Total	General Operations	Capital Projects Related	Debt Service	Total
State General Fund	$ 116,217	$ 11,472	$ 2,162	$ 129,851	$ 108,426	$ 15,953	$ 2,182	$ 126,561
State Lottery Funding	1,334	-	-	1,334	1,281			$ 1,281
Total Appropriations	$ 117,551	$ 11,472	$ 2,162	$ 131,185	$ 109,707	$ 15,953	$ 2,182	$ 127,842

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

12. 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. The 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 year ended June 30, 2022, the Tiers One and Two general service contribution rate was 22.88 percent and was 28.87 percent for police service. For the years ended June 30, 2021, the Tiers One and Two general service contribution rate was 22.24 percent and was 27.31 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 year ended June 30, 2022 was 18.81 percent for general service and 23.17 percent for police service. The PSU employer contribution rates for OPSRP for the year ended June 30, 2021 was 14.75 percent for general service and 19.38 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, 2022 and 2021 were $6,897 and $6,595, 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 https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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.

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:

	2022	2021
ORP Tiers 1 & 2 (general service)	26.30%	27.20%
ORP Tiers 1 & 2 (police))	28.67%	28.67%
OPSRP Equivalent (general service)	9.63%	9.85%
OPSRP Equivalent (police)	13.99%	14.06%
ORP Tier 4	8.00%	8.00%

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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, 2022, was $232,236, of which $192,835 was subject to retirement contributions. The following summarizes payments made by PSU for the fiscal year:

	2022				2021			
	Employer	**Percent of Covered Payroll**	**Employee Contribution**	**Percent of Covered Payroll**	**Employer**	**Percent of Covered Payroll**	**Employee Contribution**	**Percent of Covered Payroll**
PERS/OPSRP	$ 19,193	9.95%	$ 7,309	3.79%	$ 16,201	8.62%	$ 6,997	3.72%
ORP	9,520	4.94%	$ 4,336	2.25%	9,934	5.29%	4,316	2.30%
TIAA-CREF	46	0.02%	$ 46	0.02%	44	0.02%	44	0.02%
Total	$ 28,759	14.91%	$ 11,691	6.06%	$ 26,179	13.94%	$ 11,357	6.05%

Of the employee share, the employer paid $6,928 of PERS/OPSRP, $3,590 of ORP and $44 of TIAA-CREF during the fiscal year ended June 30, 2022. Of the employee share, the employer paid $6,622 of PERS/OPSRP, $3,598 of ORP and $44 of TIAA-CREF during the fiscal year ended June 30, 2021.

DEFINED BENEFIT PLANS

At June 30, 2022, the University reported a liability of $96,263 for its proportionate share of the Defined Benefit Plan's net pension liability. The net pension liability was based on the actuarial valuation performed as of December 31, 2019 rolled forward to the June 30, 2021 measurement date. As of June 30, 2021, the University reported a liability of $190,338 for its proportionate share of the Defined Benefit Plan's total net pension liability. The net pension liability was based on the actuarial valuation performed as of December 31, 2018 rolled forward to the June 30, 2020 measurement date. Information regarding this plan and the determination of the net pension liability is described below.

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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

Employer contribution rates for the fiscal year ended June 30, 2022 were based on the December 31, 2019 actuarial valuation. Employer contribution rates for the fiscal year ended June 30, 2021 were based on the December 31, 2017 actuarial valuation. 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, 2022 and 2021 were $19,193 and $16,201, respectively, excluding amounts to fund employer specific liabilities.

D. Pension Plan ACFR:

As described above, PERS produces an independently audited ACFR which can be found online at https://www.oregon.gov/pers/Documents/Financials/ACFR/2021-ACFR.pdf.

Valuation date	December 31, 2019 rolled forward to June 30, 2021 Measurement Date	December 31, 2018 rolled forward to June 30, 2020 measurement date
Experience study report	2018, published July 2019	
Actuarial cost method	Entry Age Normal	
Amortization method	Level percentage of payroll	
	.	
Asset valuation method	Market value of assets	
Inflation rate	2.40 percent	2.50 percent
Investment rate of return	6.90 percent	7.20 percent
Discount rate	6.90 percent	7.20 percent
Projected salary increases	3.40 percent	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with the Moro decision; blend based on service.	
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. *Active members:* Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	

Disabled retirees:

Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

(Source: June 30, 2021 PERS ACFR p. 71)

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 2018 Experience Study, which reviewed experience for the four-year period ending December 31, 2018.

Discount Rate

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

(Source: June 30, 2021 PERS ACFR; p. 72)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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, 2021 PERS ACFR; p. 72)

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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

(Source: June 30, 2021 PERS ACFR; p. 74)

F. Sensitivity Analysis:

The sensitivity analysis below shows the sensitivity of the university's proportionate share of the net pension liability calculated using the discount rate of 6.90 and 7.20 percent as of June 30, 2022 and 2021, respectively, if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

	June 30, 2022			June 30, 2021		
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**
	5.90%	6.90%	7.90%	6.20%	7.20%	8.20%
PSU's Proportionate Share of Net Pension Liability	$ 189,038	$ 96,263	$ 18,645	$ 282,637	$ 190,338	$ 112,942

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 ACFR.

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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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, 2021 is as follows:

Asset Allocation Policy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Portfolio	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2021 PERS ACFR; p. 104)

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, 2021 PERS ACFR 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, 2021 measurement date, PERS did not hold investments in any one organization that represents 5 percent of more of PERS' fiduciary net position or total investments.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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, 2021 and 2020, 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

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

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, 2021 PERS GASB No. 68 report)

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

	June 30, 2022		June 30, 2021	
	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	$ 1,673	$ (17,431)	$ 3,462	$ (11,769)
Changes in assumptions	24,097	(253)	10,215	(358)
Differences between expected and actual earnings on pension plan investments	-	(71,263)	22,381	-
Differences between expected and actual experience	9,011	-	8,377	-
Employer's contributions subsequent to measurement date	19,193	-	16,201	-
	$ 53,974	$ (88,947)	$ 60,636	$ (12,127)

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

PSU net deferred outflows to be recognized over the next five years and thereafter are as follows as of June 30, 2022:

Net deferred outflows to be recognized over next five years and thereafter:		
2023	$	(12,110)
2024		(10,889)
2025		(12,732)
2026		(19,657)
2027		1,222
Thereafter		-
Total future expense	$	(54,166)

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, 2023	$	19,193

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:

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.

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,			
		2022		**2021**
Employer's proportionate share of collective net pension liability	$	96,263	$	190,338
Employer's proportionate % share of collective net pension liability		0.80%		0.87%
Employer's pension expense	$	8,600	$	40,513

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.

13. OTHER POSTEMPLOYMENT BENEFITS

During the years ended June 30, 2022 and 2021, 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 Annual Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

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, 2022 are based upon a June 30, 2021 measurement date and all references to balances at June 30, 2021 are based upon a June 30, 2020 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, 2022
Total OPEB - RHIA Liability	$ 409.5
Plan Fiduciary Net Position	752.9
Plan Net OPEB - RHIA (Asset)	**$ (343.4)**
Plan net position as % of Total OPEB Liability	183.9%

Net OPEB - RHIPA (Asset)	June 30, 2022
Total OPEB - RHIPA Liability	$ 62.9
Plan Fiduciary Net Position	78.4
Plan Net OPEB - RHIA (Asset)	**$ (15.5)**
	124.6%

Net OPEB - RHIA (Asset)	June 30, 2021
Total OPEB - RHIA Liability	$ 406.9
Plan Fiduciary Net Position	610.7
Plan Net OPEB - RHIA (Asset)	**$ (203.8)**
Plan net position as % of Total OPEB Liability	150.1%

Net OPEB - RHIPA Liability	June 30, 2021
Total OPEB - RHIPA Liability	$ 64.3
Plan Fiduciary Net Position	54.3
Plan Net OPEB - RHIA Liability	**$ 10.0**
	84.4%

Contributions

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

For the fiscal year ended June 30, 2022 and 2021, the university contributed 0.05 and 0.06 percent, respectively, of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. The required employer contributions were approximately $14 and $17 for the year ended June 30, 2022 and 2021, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

For the fiscal year ended June 30, 2022 and 2021, the university contributed 0.11 and 0.12 percent, respectively, of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the university contributed 0.17 and 0.27 percent, respectively, 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 $238 and $349 for the year ended June 30, 2022 and 2021, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset/Liability

a. RHIA

At June 30, 2022, PSU reported an asset of $3,369 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, PSU reported an asset of $548 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The PERS system does not provide 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, 2022 and 2021, PSU's proportion was 0.98 and 0.27, respectively, of the statewide OPEB plan.

For the year ended June 30, 2021 and 2020, PSU recorded total OPEB expense of $355 and OPEB benefit of $300, 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, 2022, PSU reported an asset of $468 for its proportionate share of the RHIPA net OPEB asset. The OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, PSU reported a liability of $318 for its proportionate share of the RHIPA net OPEB liability. The net OPEB liability as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The PERS system does not provide 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, 2022 and 2021, PSU's proportion was 3.02 and 3.19, respectively, of the statewide OPEB plan.

For the year ended June 30, 2022 and 2021, PSU recorded total OPEB benefit of $206 and OPEB expense of $33 and, respectively, due to the changes to the net RHIPA OPEB (asset)/liability, deferred outflows and inflows and amortization of previously deferred amounts.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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, 2021, 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, 2021 – 2.7 years
- Measurement period ended June 30, 2020 – 2.9 years
- Measurement period ended June 30, 2019 – 3.1 years

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

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

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

	June 30, 2022		June 30, 2021	
	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	$ -	$ (801)	$ 61	$ -
Difference Between Expected and Actual Experience	-	(94)	-	(56)
Change in Assumptions	66	(50)	-	(29)
Change in Proportion	413	(875)	874	(23)
Difference Between Fund Contributions and Proportionate Share of Contributions	1	(8)	3	(7)
Employer contributions Subsequent to the Measurement Date	14	-	17	-
	$ 494	$ (1,828)	$ 955	$ (115)

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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, 2022:

Net deferred (inflows) to be recognized over next five years and thereafter:		
2023	$	(388)
2024		(524)
2025		(183)
2026		(253)
	$	(1,348)

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, 2023	$	14

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, 2021, 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.

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

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

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

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

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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

	June 30, 2022		June 30, 2021	
	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	$ -	$ (238)	$ 73	$ -
Difference Between Expected and Actual Experience	-	(207)	-	(121)
Change in Assumptions	34	(165)	8	(214)
Change in Proportion	39	(149)	56	(157)
Difference Between Fund Contributions and Proportionate Share of Contributions	6	(16)	7	(16)
Employer Contributions Subsequent to the Measurement Date	238	-	349	-
	$ 317	$ (775)	$ 493	$ (508)

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, 2022:

Net deferred outflows to be recognized over next five years and thereafter:	
2023	$ (159)
2024	(157)
2025	(167)
2026	(160)
2027	(48)
Thereafter	(4)
	$ (695)

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, 2023	$ 238

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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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

Valuation date	December 31,2019	December 31, 2018
Measurement Date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 2019	
Actuarial cost method	Entry Age Normal	
Inflation rate	2.40 percent	2.50 percent
Long-Term Expected Rate of Return	6.90 percent	7.20 percent
Discount rate	6.90 percent	7.20 percent
Projected salary increases	3.40 percent	3.50 percent
Retiree Healthcare	Healthy Retirees: 32 percent	
Participation	Disabled Retirees: 20 percent	
Healthcare Cost Trend Rate	Not Applicable	
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Active members:* Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Disabled retirees:* Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

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For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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

Valuation date	December 31, 2019	December 31, 2018
Measurement Date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 2019	
Actuarial cost method	Entry Age Normal	
Inflation rate	2.40 percent	2.50 percent
Long-Term Expected Rate of Return	6.90 percent	7.20 percent
Discount rate	6.90 percent	7.20 percent
Projected salary increases	3.50 percent	
Retiree Healthcare Participation	Varies by service at decrement, increasing from 10% at eight years of service to 34% at 30 years of service	
Healthcare cost trend rate	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 4.9% for 2025, increasing to 5.0% for 2036, and decreasing to an ultimate rate of 4.0% for 2074 and beyond.	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 5.0% for 2022, increasing to 5.9% for 2031, and decreasing to an ultimate rate of 4.1% for 2094 and beyond.
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Active members:* Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Disabled retirees:* Pub-2010 Disabled Retriee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

(Source: 2021 PERS ACFR, table 28, page 73)

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

Discount Rate

The discount rate used to measure the total OPEB liabilities at June 30, 2022 and 2021 was 6,90 and 7.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from 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 6,90 and 7.20 percent as of June 30, 2022 and 2021, respectively, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2022		June 30, 2021	
	RHIA	RHIPA	RHIA	RHIPA
1% Decrease to 5.9%/6.2%	($2,980)	($350)	($442)	$448
Current Discount Rate 6.9%/7.2%	(3,369)	(468)	(548)	318
1% Increase to 7.9%/8.2%	(3,702)	(579)	(638)	198

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, 2022		June 30, 2021	
	RHIA	RHIPA	RHIA	RHIPA
1% Decrease	($3,369)	($627)	($548)	$224
Current Trend Rate	(3,369)	(468)	(548)	318
1% Increase	(3,369)	(291)	(548)	438

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00	25.00	20.00
Public Equity	27.50	37.50	32.50
Private Equity	14.00	21.00	17.50
Real Estate	9.50	15.50	12.50
Alternative Equity	7.50	17.50	15.00
Opportunity Portfolio	0.00	5.00	0.00
Risk Parity	0.00	2.50	2.50
Total			100 %

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2021 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.

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

Depletion Date Projection

GASB Statement No. 75, 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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

- 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, 2021 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."

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, 2022	June 30, 2021
Changes in State's Total OPEB Liability		
Beginning Balance	$ 151,092	$ 146,696
Changes for the year:		
Service cost	10,475	10,121
Interest on total OPEB liability	3,390	3,359
Effect of economic/demographic gains or losses	-	-
Differences between expected and actual experience	(16,982)	-
Effect of assumptions changes or inputs	(15,387)	538
Benefit payments	(9,249)	(9,623)
Ending Balance	$ 123,339	$ 151,091

Proportionate Share Allocation Methodology

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

Total OPEB Liability

At June 30, 2022, the university reported a liability of $4,817 for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2022 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.At June 30, 2021, the university reported a liability of $6,004 for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2021 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. PEBB does not provide 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, 2022 and 2021, PSU's proportion was 3.91 and 3.97, respectively, of participating employers.

For the year ended June 30, 2022 and 2021, PSU recorded total OPEB expense of $163 and $332, 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, 2022, there were:

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

Experience gains and losses, changes in assumptions, changes in employer's proportionate share of contribution and changes in the employer proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of the measurement period are as follows:

- Measurement period ended June 30, 2022 – 7.8 years
- Measurement period ended June 30, 2021 – 8.6 years
- Measurement period ended June 30, 2020 – 8.6 years
- Measurement period ended June 30, 2019 – 8.2 years
- Measurement period ended June 30, 2018 – 8.2 years

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

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

	July 30, 2022		July 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ (598)	$ -	$ (24)
Change in Assumptions	115	(1,133)	144	(738)
Change in Proportion	-	(631)	-	(646)
Difference Between Fund Contributions and Proportionate Share of Contributions	33	-	33	-
Total	**$ 148**	**$ (2,362)**	$ 177	$ (1,408)

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, 2022:

Net deferred inflows to be recognized over next five years and thereafter:	
2023	$ (378)
2024	(380)
2025	(379)
2026	(339)
2027	(320)
Thereafter	(418)
	$ (2,214)

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021 (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, 2021	July 1, 2019
Measurement Date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry Age Normal	
Inflation rate	2.00 percent	2.50 percent
Discount rate	3.54 percent	2.16 percent
Projected salary increases	3.00 percent	3.50 percent
Withdrawal, retirement, and mortality rates	December 31, 2019 Oregon PERS valuation	December 31, 2018 Oregon PERS valuation
Healthcare Cost Trend Rate	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.40% per year.	
Election and lapse rates	30 percent of eligible employees 60 percent spouse coverage for males35 percent for females 7 percent annual lapse rate	

(Source: PEBB Valuation Report July 1 2021)

Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rate in effect for the June 30, 2021 and 2021 reporting date is 3.54 and 2.16, 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 3.54 percent as of June 30, 2022 and 2.16 percent as of June 30, 2021, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate

Discount Rate	**June 30, 2022**	June 30, 2021
1% Decrease to 2.54%/1.16%	$5,166	$6,435
Current Discount Rate at 3.54%/2.16%	4,817	6,004
1% Increase to 4.54%/3.16%	4,491	5,599

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

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

Healthcare Cost Trend Rate	**June 30, 2022**	June 30, 2021
1% Decrease	$4,283	$5,402
Current Trend Rate	4,817	6,004
1% Increase	5,450	6,713

14. 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 2015, PURMIT covers up to $250 per occurrence for real property liability.. 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.

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.

For the Years Ended June 30, 2022 and 2021 (dollars in thousands)

15. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned construction projects totaled approximately $127,384 at June 30, 2022, 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, 2022:

	Total Commitment	Completed to Date	Outstanding Commitment
The Vanport Building (Collaborative Fourth & Montgomery Building	$ 108,590	$ 107,629	$ 961
Vernier Science Center (SB1 Expansion and Renovation)	67,561	8,220	59,341
Gateway Center	55,000	33	54,967
Capital Repair	30,865	21,446	9,419
Projects with <$500 thousand remaining to be spent	10,236	7,540	2,696
	$ 272,252	$ 144,868	$ 127,384

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, 2022, such amounts are not expected to be material.

Refer also to Note 19 for commitments associated with the PSU Foundation.

16. RISKS AND UNCERTAINTIES

The University participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenses that may be disallowed by the granting agencies cannot be determined at this time although the University does not expect these amounts, if any, to be material to the financial statements.

The University is a party to a number of matters of litigation. It is the opinion of management, based on the advice of counsel, that the University's liability insurance is sufficient to cover the potential judgments and that the outcome of the suits will not have a material adverse effect on the financial position or operations of the University.

17. SUBSEQUENT EVENTS

No events have occurred subsequent to June 30, 2022 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 financially supports the PSU Foundation's operating costs. During the years ended June 30, 2022 and 2021, PSU transferred $6,528 and $7,002, respectively, to the PSU Foundation under this agreement. PSU's financial support to the PSU Foundation is budgeted to be $6,705 during the year ended June 30, 2022. This includes supplemental funding of $600 to support the PSU Foundation's operational funds and provide additional support for the Foundation's comprehensive fundraising activities.

During the years ended June 30, 2022 and 2021, gifts of $14,842 and $14,157, 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, 2022 and 2021, the PSU Foundation recognized $745 and $1,384 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 was amended on April 1, 2022. The amendment adjusted annual rent from $462 to $159 through September 2024, at which point PSU will pay $611 annual rent from October 2024 through March 2025.

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*	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required employer contributions	$ 19,193	$ 16,201	$ 17,082	$ 13,108	$ 12,033	$ 9,345	$ 8,566	$ 7,315	$ 7,586
Employer contributions recognized	19,193	16,201	17,082	13,108	12,033	9,345	8,566	7,315	7,586
Contribution Excess (Deficiency)	-	-	-	-	-	-	-	-	-
Covered employee payroll	119,281	116,552	120,458	119,441	115,380	112,635	108,245	103,588	103,961
Employer contributions recognized as a percentage of covered payroll	16.1%	13.9%	14.2%	11.0%	10.4%	8.3%	7.9%	7.1%	7.3%

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

	Year Ended June 30,								
Defined Benefit Pension Plans*	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate % share of collective net pension asset or liability**	0.80%	0.87%	0.86%	0.86%	1.04%	0.96%	0.92%	0.92%	0.92%
Employer's proportionate share of collective net pension (asset) liability**	$ 96,263	$ 190,338	$ 148,387	$ 130,218	$ 140,322	$ 144,817	$ 52,642	$ (20,769)	$ 46,757
Covered employee payroll**	116,552	120,458	119,441	115,380	112,635	108,245	103,588	103,961	98,057
Employer's share of net pension (asset) liability as a percentage of covered payroll**	83%	158%	124%	113%	125%	134%	51%	-20%	48%
Plan fiduciary net position as a percentage of the total pension liability**	87.6%	75.8%	80.2%	82.1%	83.1%	80.5%	91.9%	103.6%	not avail.

*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,									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially Determined Contributions[1]	$ 14	$ 17	$ 19	$ 537	$ 520	$ 537	$ 519	$ 549	$ 555	$ 533
Contributions in Relation to the Actuarially Determined Contributions	14	17	19	537	520	537	519	549	555	533
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 121,760	$ 116,552	$ 120,458	$ 119,441	$ 115,380	$ 112,635	$ 108,245	$ 103,588	$ 103,961	$ 98,057
Contributions as a Percentage of Covered Payroll	0.01%	0.01%	0.02%	0.45%	0.45%	0.48%	0.48%	0.53%	0.53%	0.54%

[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,					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
University's Allocation of the Net RHIA OPEB Liability/(Asset)	0.98%	0.27%	1.12%	1.05%	1.18%	1.18%
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset)	$ (3,369)	$ (548)	$ (2,170)	$ (1,167)	$ (491)	$ 288
University's Covered Payroll	116,552	120,458	119,441	115,380	112,635	108,245
University's Proportionate Share of the Net RHIA OPEB Liability/(Asset) as a Percentage of Covered Payroll	2.89%	0.45%	1.82%	1.01%	0.44%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total RHIA OPEB Liability/(Asset)	183.86%	150.09%	144.38%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contributions[1]	$ 238	$ 349	$ 363	$ 491	$ 477	$ 428	$ 414	$ 236	$ 240	$ 132
Contributions in Relation to the Actuarially Determined Contributions	238	349	363	491	477	428	414	236	240	132
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 121,760	$ 116,552	$ 120,458	$ 119,441	$ 115,380	$ 112,635	$ 108,245	$ 103,588	$ 103,961	$ 98,057
Contributions as a Percentage of Covered Payroll	0.20%	0.30%	0.30%	0.41%	0.41%	0.38%	0.38%	0.23%	0.23%	0.13%

[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,					
	2022	2021	2020	2019	2018	2017
University's Allocation of the Net RHIPA OPEB Liability/(Asset)	3.02%	3.19%	3.56%	3.53%	3.81%	0.00%
University's Proportionate Share of the Net RHIPA OPEB Liability/(Asset)	$ (468)	$ 318	$ 902	$ 1,249	$ 1,775	$ 1,930
University's Covered Payroll	116,552	120,458	119,441	115,380	112,635	108,245
University's Proportionate Share of the Net RHIPA OPEB Liability/(Asset) as a Percentage of Covered Payroll	-0.40%	0.26%	0.76%	1.08%	1.58%	1.78%
Plan Fiduciary Net Position as a Percentage of the Total RHIPA OPEB Liability/(Asset)	124.64%	84.45%	64.86%	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.

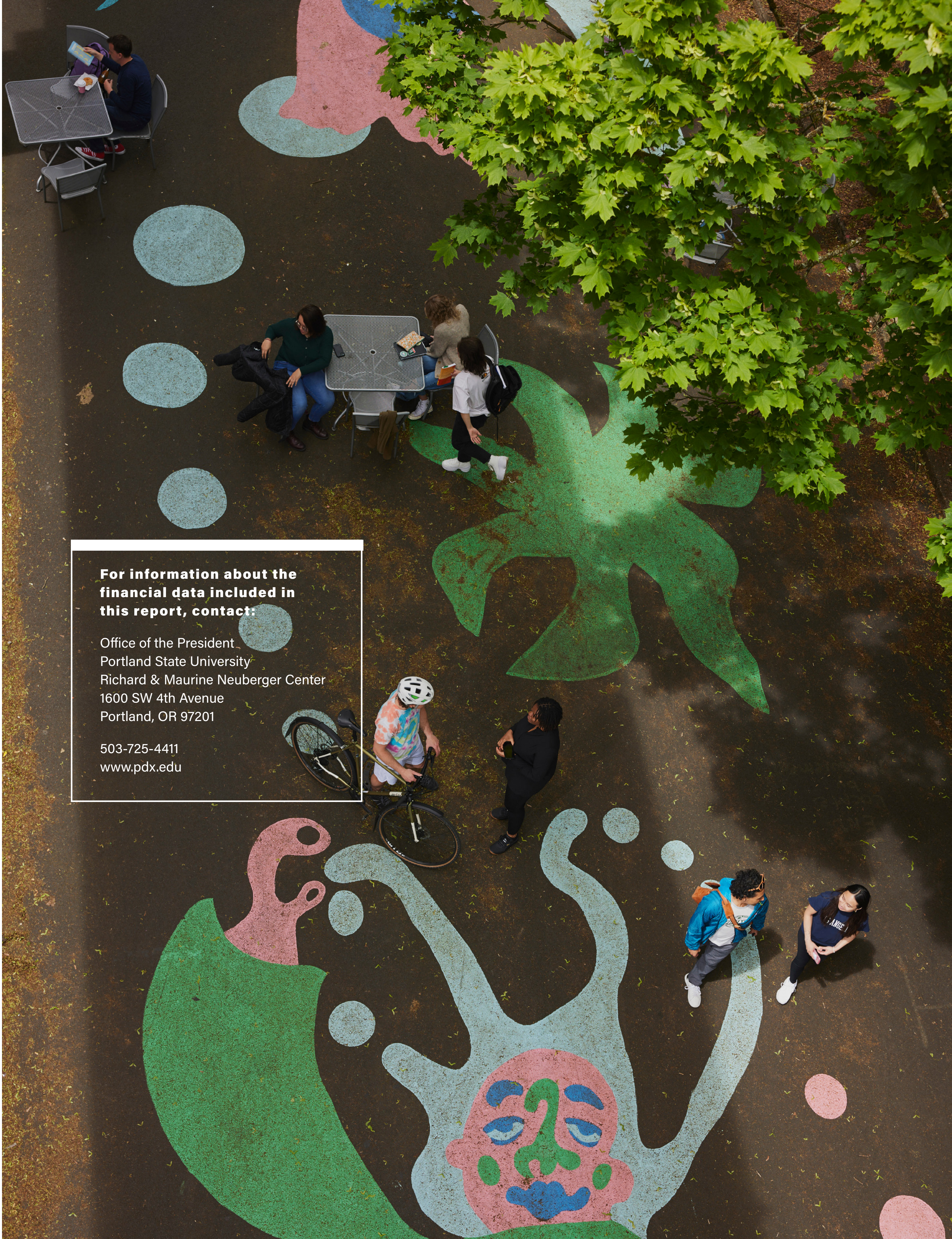
REQUIRED SUPPLEMENTARY INFORMATION

(dollars in thousands)

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

	Year Ended June 30,					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
University's Allocation of the Total OPEB Liability	3.91%	3.97%	4.08%	4.22%	4.41%	4.60%
University's Proportionate Share of the Total OPEB Liability	$ 4,817	$ 6,004	$ 5,987	$ 6,794	$ 6,551	$ 6,655
University's Covered Payroll	$ 192,835	$ 187,855	$ 193,641	$ 172,213	$ 167,815	$ 163,311
University's Proportionate Share of the Total OPEB Liability as a Percentage of	2.50%	3.20%	3.09%	3.95%	3.90%	4.08%
Total OPEB Liability as a % of Total Covered Payroll	2.76%	3.72%	3.77%	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:

Office of the President
Portland State University
Richard & Maurine Neuberger Center
1600 SW 4th Avenue
Portland, OR 97201

503-725-4411
www.pdx.edu

Portland State
UNIVERSITY