Western Oregon
UNIVERSITY

2019 ANNUAL FINANCIAL REPORT

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PRESIDENT'S CABINET

Dr. Rex Fuller, President

Dr. Gary Dukes, Vice President for Student Affairs

Dr. Rob Winningham, Provost & Vice President, Academic Affairs

Ryan Hagemann, Vice President and General Counsel; Board Secretary

Erin McDonough, Executive Director, Advancement & WOU Foundation

Curtis Campbell, Executive Director, Intercollegiate Athletics

Dr. Ana Karaman, Vice President, Finance & Administration

LouAnn Vickers, Executive Assistant to the President

WOU BOARD OF TRUSTEES

Western Oregon University (WOU) continues to move forward on a number of important initiatives related to the university's strategic plan, Forward Together. These initiatives enabled WOU to make significant progress on important goals while offering outstanding support for our students and employees.

Western Oregon University continues to serve Oregon families in myriad ways. Not only do we offer scholarships specifically for Oregon residents, we help thousands of Oregon high school students earn college credit before they even graduate through the Willamette Promise program. This program serves over 2,000 Oregon high school students. By focusing on fields that are important to the state, we are preparing our students to make Oregon a better, stronger and more diverse place.

President Rex Fuller

This year, WOU established a branch campus in Salem, WOU:Salem. The branch will provide degree completion opportunities for adult learners and in fall 2019 we will offer a new master's degree, the MA in Organizational Leadership, at the Salem branch. Through this effort, WOU is committed to seeing more Oregonians earn baccalaureate and master's degrees. WOU purchased the Vick Building, which is located on the corner of Trade and High streets in Salem. This 36,000 square foot building will be renovated to meet WOU's needs and we expect to offer classes at this new permanent location in fall 2020.

Overall affordability, continues to be an important factor in our ability to serve more students. WOU has the lowest increase in tuition of all seven public universities for 2019-20. This is part of our commitment to become the most affordable public university in the state. We understand that access and affordability lead to opportunity. For this reason, WOU is continually seeking ways to mitigate expenses that increase cost of attendance. We also keep our eye on how cost of attendance relates to the median household income for Oregon.

I am pleased that we will launch a new general education program. The program will enable students to have a greater flexibility in their degree path and ensure that all majors can be completed within the required minimum number of credits.

In fall 2019, we anticipate the opening of a newly remodeled Natural Sciences building. This renovation will provide improved student learning space and faculty offices along with research space to engage our students in undergraduate research projects. WOU will be remodeling the Oregon Military Academy (OMA) and the Instructional Technology Center (ITC). The OMA will be transformed into a new Welcome Center on the north end of campus. ITC will be remodeled to meet the 21st century needs of our academic programs in visual communication design, art and computer science.

These are just some of the projects included in our Campus Master Plan. This plan was revised and approved by the Board of Trustees in 2018-19 and will serve as our guiding document for years to come. The three leading concepts are: "Keep the core compact"; "Create active areas on campus"; and maintain "A walkable, sustainable campus."

Our Advancement and Foundation continues to expand financial resources for WOU. WOU reached an all-time high on Giving Day, and our enthusiastic WOU Foundation board embarked on the second year of the 100 Opportunities campaign. This effort raised more than $100,000 to support student scholarships.

We are excited to see what the future holds for Western Oregon University. I am certain that we will continue to thrive and achieve our goals on all fronts. Our proactive approach to student success, opportunities for intellectual engagement and a transformative education will continue as our core message because together we succeed.

Thank you,

Rex Fuller

Renovation began on the former home of the Oregon Military Academy. The building will become the new WOU Welcome Center on the north end of campus in 2020.

Giving Day was a huge success, bringing in nearly $70,000 in restricted and unrestricted gifts to the university.

WOU Launches Second Location in Salem

In January 2019, Monmouth-based WOU planted its flag in Salem. WOU's second location is in the south part of the city, conveniently located and designed for students seeking to start, expand or finish their degrees. Classes started in Salem in winter and increased in spring. In the fall, a larger range of courses is available. WOU:Salem courses are designed to help working adults get the higher education they seek, whether it is their first degree, an advanced degree or professional development needed to qualify for a promotion in their current employment. Degree opportunities for Salem students include an Applied Baccalaureate, a Bachelor of Science, a Bachelor of Arts and a Master of Arts.

WOU:Salem classes are taught in the Willamette Education Service District's Professional Learning Center on Pringle Road two nights per week and feature a hybrid format; half the sessions are online and the other half are in person, which makes it easier for people working full-time jobs.

The WOU:Salem classes are being taught at the Willlamette Education Service District's Professional Learning Center in Salem

New Academic Programs Support Undergrads, Working Adults Alike

New academic programs and degrees were created to boost WOU's ability to meet current work force demands. The Master of Arts in Organizational Leadership had its official launch after NWCCU approval in the spring, with the first full cohort starting in fall 2019. The program will be delivered exclusively at the WOU:Salem location and is ideal for working adults who could get a career boost from having a master's degree in management. Also, WOU now offers an applied baccalaureate degree in liberal studies, a degree for people who have earned a two-year A.A.S. but who seek a four-year degree.

In addition, several new certificates and minor programs in the College of Education earned board approval in April, including: a new undergraduate certificate in Bilingual/English as a Second Language; a new undergraduate certificate in Early Childhood Education; a new minor in Early Childhood; a new minor program in English Studies; and a new minor program English for Speakers of Other Languages and Bilingual Education.

Five WOU Baseball Players Headed to Major League Baseball

In its most successful draft year ever, the Western Oregon baseball team had four players selected in the 2019 MLB First-Year Player Draft as catcher Jared McDonald and pitchers Alex Roth, Austin Crowson and Koty Fallon were selected. McDonald was taken in the 19th round by the Oakland Athletics. Roth went two rounds later in the 21st to the Pittsburgh Pirates, and Crowson heard his named called in the 39th round by the Philadelphia Phillies. Fallon rounded out the day with a 40th-round selection by the San Diego Padres. Finally, Gabe Benavides signed a free agent contract with the Los Angeles Dodgers.

The four selections in a single draft is the most ever by a Great Northwest Athletic Conference school and the first picks for Western Oregon since pitcher Brady Miller was taken in the 27th round of the 2017 draft by the Chicago Cubs.

Natural Science Building Sports New Laboratories After Remodel

After an extensive renovation project, the Natural Science building has several remodeled spaces that benefit both employees and students who use the building on the south end of campus. Among the facets of the renovation include improved HVAC systems, seismic upgrades, remodeled labs, offices and classrooms, a new rooftop greenhouse and asbestos abatement.

Some faculty and staff members who normally work in the Natural Science building were moved to different spaces for the 2018-19 academic year while work was completed. Everyone should be back in their regular places in 2019-20 as the renovations wrap up.

WOU's Natural Sciences building has been part of an extensive renovation project, featuring seismic upgrades, remodeled labs and classrooms and a new rooftop greenhouse.

Successful Year for Giving Day

Giving Day on March 5, 2019, was a huge success, bringing in nearly $70,000 in restricted and unrestricted gifts to the university. The amount raised is particularly impressive when one considers that the event started in 2016 by raising about $2,000, then raised $25,000 and $48,000 in 2017 and 2018, respectively.

Also, Advancement has continued its 100 Opportunities campaign into a second year based on its engagement last year. The department as a whole is preparing for a comprehensive, multi-year campaign that will launch in the near future.

Here are some additional highlights from the 2018-19 academic year:

- More than 1,000 students graduated with degrees during the 2019 Commencement celebration in June, an event that was highlighted by an address given for the first time in American Sign Language and translated into spoken English.
- Psychology Professor and Interim Provost Rob Winningham was selected to continue in the provost role on a permanent basis. Among his goals for the academic role of the university are to complete the general education program redesign and to continue to expand programs for working adults.
- The *Western Howl*, the student-run campus newspaper, earned 17 awards from the Oregon Newspaper Publishers Association in categories ranging from Best Cartooning and Best Column and Best Headline Writing.
- In April, the Board of Trustees endorsed the university's goal of seeking the Hispanic Serving Institution (HSI) designation from the federal government. An HSI is an accredited, degree-granting, public or private nonprofit institution of higher education with 25% or more total undergraduate Hispanic full-time equivalent student enrollment. Current Latinx enrollment, according to the Higher Education Coordinating Commission, is 22%.
- For the first time in the 33-year history of the event, the Wolves Athletic Auction took place on campus, and more than $85,000 for student-athlete scholarships came in during the June 1 fundraiser, which attracted a crowd of about 250 attendees.

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Western Oregon University
Monmouth, Oregon

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

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, Western Oregon University Development Foundation (the Foundation). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements for the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

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

Relationship with the State of Oregon
As described in Note 1, the financial statements of the University are intended to present the financial position, changes in financial position, and cash flows attributable to the University. They do not purport to, and do not present fairly the financial position of the State of Oregon as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles general accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of university contributions, schedule of university's proportionate share of net pension asset/(liability), schedule of university PERS RHIA OPEB employer contribution, schedule of university's proportionate share of the net PERS RHIA OPEB asset/(liability), schedule of university PERS RHIPA OPEB employer contribution, schedule of university's proportionate share of the net PERS RHIPA OPEB asset/(liability), and the schedule of university's proportionate share of the total PEBB OPEB liability as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The WOU Board of Trustees, the Message from the President, the Top University Accomplishments, and the Financial Ratios are presented for purposes of additional analysis and are not a required part of the financial statements. This other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2019, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
November 15, 2019

Introduction

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

Annual Full Time Equivalent (FTE) Student Enrollment Summary:

2019	2018	2017	2016	2015
4,368	4,451	4,571	4,700	4,812

Understanding the Financial Statements

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

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

Statement of Net Position (SNP) presents a snapshot of WOU assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting as of June 30, for each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much WOU owes to vendors and the State of Oregon; and net position delineated based upon their availability for future expenditures.

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

Statement of Cash Flows (SCF) provides information about WOU'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 WOU has the ability to generate future net cash flows to meet its obligations as they come due.

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

The Component Unit, comprised of a supporting foundation, is discretely presented in the WOU financial statements and in Notes 2 and 21.

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

Financial Summary

The university's financial position improved in the past year with an increase in total net position as of June 30, 2019 of $5,653 thousand. During 2019, unrestricted net position decreased by $726 thousand. Unrestricted operations decreased by $2,160 thousand. Net pension and OPEB liabilities and their associated deferrals decreased slightly, which resulted in a slight increase to unrestricted operations. The decrease in unrestricted net position was offset by an increase of $3,562 thousand in net investment in capital assets and an increase in restricted expendable net position of $2,817 thousand.

The university's financial position improved in the past year with an increase in total net position as of June 30, 2018 of $4,201 thousand. During 2018, unrestricted net position increased by $1,182 thousand. A decrease in unrestricted net position of $4,023 thousand resulted from changes in the net pension liability and associated deferrals. The implementation of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased unrestricted net position by $1,203 thousand. These decreases were offset by an increase of $5,919 thousand in unrestricted operations. Net investment in capital assets increased by $3,998 thousand, while restricted expendable net position decreased by $979 thousand.

Statement of Net Position

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

The following summarizes WOU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

Condensed Statement of Net Position (in 000's)

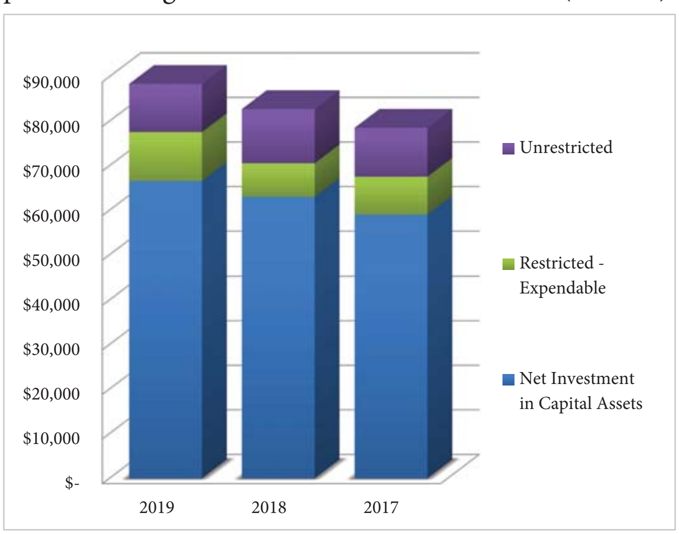
As of June 30,	2019	2018	2017
Current Assets	**$ 40,492**	$ 32,481	$ 28,353
Noncurrent Assets	**28,344**	35,107	33,872
Capital Assets, Net	**118,121**	114,065	112,473
Total Assets	**$ 186,957**	$ 181,653	$ 174,698
Deferred Outflows of Resources	**$ 13,055**	$ 13,009	$ 20,912
Current Liabilities	**$ 20,746**	$ 21,136	$ 20,264
Noncurrent Liabilities	**88,816**	90,372	96,420
Total Liabilities	**$ 109,562**	$ 111,508	$ 116,684
Deferred Inflows of Resources	**$ 2,045**	$ 402	$ 375
Net Investment in Capital Assets	**$ 66,611**	$ 63,049	$ 59,051
Restricted - Expendable	**10,349**	7,532	8,511
Unrestricted	**11,445**	12,171	10,989
Total Net Position	**$ 88,405**	$ 82,752	$ 78,551

Total Net Position

Total net position increased by $5,653 thousand, or 7 percent, during 2019. Increases in net investment in capital assets and restricted net position were somewhat offset by a decrease in unrestricted net position.

Total net position increased by $4,201 thousand, or 5 percent, during 2018. Increases in net investment in capital assets and unrestricted net position were somewhat offset by a decrease in restricted net position. Expendable and non-expendable restrictions on net position do not significantly affect the availability of resources for future use.

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



<u>Comparison of fiscal year 2019 to fiscal year 2018</u>

Net Investment in Capital Assets increased by $3,562 thousand, or 6 percent.

- Capital asset increases of $9,993 thousand were offset by a $5,937 thousand increase to accumulated depreciation for a net increase in capital assets of $4,056 thousand.
- Long-term debt outstanding attributable to the capital assets increased by $494 thousand. Decreases in debt due to debt service payments made on outstanding debt were mostly offset by an increase in contracts payable to the state resulting from a bond sale. See Note 9 Long-Term Liabilities for additional information.

See also Changes to Capital Assets later in this MD&A and Note 5 Capital Assets for additional details.

Restricted Expendable Net Position increased by $2,817 thousand, or 37 percent.

- Net position related to gifts, grants and contracts increased by $66 thousand due primarily to an increase in year-end receivables somewhat offset by a decrease in cash.
- Net position related to student loans increased by $949 thousand. Cash on hand for student loans increased by $1,535 thousand while loans receivable, net, decreased by $586 thousand.
- Net position relating to the funding of capital projects increased by $1,834 thousand. A decrease in cash held for capital construction was offset by an increase in XI-F(1) bonds receivable from the state due to a new bond sale in spring, 2019.
- Net position relating to funds reserved for debt service decreased by $198 thousand primarily as the result of a decrease in cash held restricted for debt service at year end.
- Net position restricted expendable for the OPEB asset increased by $166 thousand. The restricted expendable OPEB asset is equal to the Net OPEB Asset reported in noncurrent assets.

Unrestricted Net Position decreased by $726 thousand, or 6 percent.

- Unrestricted operations, which includes education, auxiliaries, and general business type activities, decreased unrestricted net position by $2,160 thousand.
- The WOU Board of Trustees created a new unrestricted quasi-endowment for the purpose of providing student financial aid. The corpus of the endowment is $1,000 thousand and current earnings total $21 thousand.

- Changes associated with year-end accruals for the PERS net pension liability were $17 thousand less than last year, thus causing an increase unrestricted net position.
- Changes associated with year-end accruals for the OPEB asset and liabilities increased unrestricted net position by $100 thousand.
- Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP), compensated absences, and faculty credit banking increased unrestricted net position by $296 thousand.

See Note 10 Unrestricted Net Position for additional information.

Comparison of fiscal year 2018 to fiscal year 2017

Net Investment in Capital Assets increased by $3,998 thousand, or 7 percent.

- Capital asset increases of $7,516 thousand were offset by a $5,925 thousand increase to accumulated depreciation for a net increase in capital assets of $1,591 thousand.
- Long-term debt outstanding attributable to the capital assets decreased by $2,407 thousand due primarily to debt service payments made on outstanding debt. See Note 9 Long-Term Liabilities for additional information.

See also Changes to Capital Assets later in this MD&A and Note 5 Capital Assets for additional details.

Restricted Expendable Net Position decreased by $979 thousand, or 12 percent.

- Net position related to gifts, grants and contracts increased by $75 thousand due primarily to an increase in State of Oregon restricted funds at year end.
- Net position related to student loans decreased by $73 thousand. The university recorded a payable of $259 thousand for the estimated amount of Federal Capital Contribution (FCC) payable to the U.S. Department of Education due during fiscal year 2019. This was mostly offset by increases in cash and receivables, along with a decrease in bad debt allowance.
- Net position relating to the funding of capital projects decreased by $1,002 thousand primarily as the result of the majority of ongoing capital projects being funded by internal, unrestricted, university sources.
- Net position relating to funds reserved for debt service decreased by $103 thousand primarily as the result of a decrease in cash held restricted for debt service at year end.
- The implementation of GASB Statement No. 75 resulted in the creation of a new restricted expendable net position for the OPEB asset. The restricted expendable OPEB asset is equal to the Net OPEB Asset of $124 thousand reported in noncurrent assets.

Unrestricted Net Position increased by $1,182 thousand, or 11 percent.

- Unrestricted operations, which includes education, auxiliaries, and general business type activities, increased unrestricted net position by $5,919 thousand.
- Changes associated with year-end accruals for the PERS net pension liability decreased unrestricted net position by $4,023 thousand.
- The implementation of GASB Statement No. 75 and the reporting of net OPEB liabilities along with the associated deferred outflows and deferred inflows for the OPEB liabilities and the OPEB asset resulted in a net decrease of $1,203 thousand.
- Changes associated with year-end liability accruals for PERS state and local government rate pool (SLGRP), compensated absences, and faculty credit banking increased unrestricted net position by $489 thousand.

See Note 10 for additional information.

Total Assets and Deferred Outflows of Resources

Total Assets increased by $5,304 thousand, or 3 percent, during the year ended June 30, 2019. Increases were seen in most categories of current assets, while non-current asset generally decreased. Total Assets increased by $6,955 thousand, or 4 percent, during the year ended June 30, 2018. Increases were seen in all categories of assets except for prepaid expenses, which decreased slightly.

Comparison of fiscal year 2019 to fiscal year 2018

Current Assets increased by $8,011 thousand, or 25 percent, primarily due to:

- Current cash and cash equivalents increased by $2,017 thousand. Cash held for operations decreased by $5,286 thousand. Cash held in restricted gift, grant and contract funds decreased by $1,709 thousand. There was a decrease of $5,724 thousand in the amount of cash converted to investments, which caused an increase in cash at year end.
- Accounts receivable increased by $6,851 thousand. Receivables for state capital construction grants, state research grants and student tuition and fees, net of allowances increased considerably. See Note 3 Accounts Receivable for additional information.
- Current notes receivable decreased by $178 thousand due to decreases in receivables for both federal Perkins and institutional student loans somewhat offset by a decrease in the allowance for doubtful accounts.

- Prepaid expenses increased by $84 thousand.

Noncurrent Assets decreased by $6,763 thousand, or 19 percent, primarily due to:

- Noncurrent cash and cash equivalents decreased by $850 thousand to zero due to cash no longer being classified as noncurrent.
- Investments decreased by $5,670 thousand due to an overall decrease in cash balances which allowed for less cash to be converted to investments.
- Noncurrent notes receivable decreased by $409 thousand due primarily to a decrease in notes receivable related to federal Perkins loans.
- Net OPEB asset increased by $166 thousand. See Note 15 Other Postemployment Benefits (OPEB) for additional details.

Capital Assets, Net increased by $4,056 thousand, or 4 percent. Capitalized acquisitions net of disposals and adjustments added $9,993 thousand, which was somewhat offset by an increase of $5,937 thousand in accumulated depreciation. See Capital Assets later in this MD&A and Note 5 Capital Assets for additional information.

Deferred Outflows of Resources increased by $46 thousand, or less than 1 percent.

- Deferred outflows related to changes in accruals for the net pension liability decreased by $14 thousand.
- Deferred outflows related to the OPEB net asset and liabilities increased by $60 thousand.

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

Comparison of fiscal year 2018 to fiscal year 2017

Current Assets increased by $4,128 thousand, or 15 percent, primarily due to:

- Current cash and cash equivalents increased by $2,875 thousand. Cash held for operations increased by $3,512 thousand. Cash held in restricted gift, grant and contract funds increased by $1,082 thousand. These increases were somewhat offset by an increase in the amount of cash converted to investments.
- Accounts receivable increased by $247 thousand. Decreases in receivables for state grants and capital projects were offset by an increase in receivables for student tuition and fees. See Note 3 Accounts Receivable for additional information.
- Current notes receivable increased by $136 thousand due to an increase in receivables for institutional student loans and a decrease in the allowance for doubtful accounts.

Noncurrent Assets increased by $1,235 thousand, or 4 percent, primarily due to:

- Investments increased by $1,184 thousand due to an overall increase in cash balances which allowed for more cash to be converted to investments.
- WOU recorded a $124 thousand Net OPEB Asset as the result of the implementation of GASB Statement No. 75. See Note 15 for additional details.

Capital Assets, Net increased by $1,592 thousand, or 1 percent. Capitalized acquisitions net of disposals and adjustments added $7,517 thousand, which was offset by an increase of $5,925 thousand in accumulated depreciation. See Capital Assets in this MD&A and Note 5 for additional information.

Deferred Outflows of Resources decreased by $7,903 thousand, or 38 percent.

- Deferred outflows related to changes in accruals for the net pension liability decreased by $8,155 thousand.
- The implementation of GASB Statement No. 75 added $252 thousand in deferred outflows related to the OPEB net asset and liabilities.

See Note 6 for detailed information on this change.

Total Liabilities and Deferred Inflows of Resources

Total liabilities decreased by $1,946 thousand, or 2 percent, during the year ended June 30, 2019. Decreases in the net pension liability, OPEB liability, and unearned revenues were somewhat offset by an increase in accounts payable and accrued liabilities. Total liabilities decreased by $5,176 thousand, or 4 percent, during the year ended June 30, 2018. Decreases in the net pension liability, long-term liabilities, and accounts payable and accrued liabilities were somewhat offset by the recording of $1,348 thousand in net OPEB liability due to the implementation of GASB Statement No. 75.

Comparison of fiscal year 2019 to fiscal year 2018

Current Liabilities decreased by $390 thousand, or 2 percent, due primarily to:

- The current portion of long-term liabilities decreased by $155 thousand primarily due to debt service payments and a decrease in the amount of previously issued debt coming due in the next year. See Debt Administration later in this MD&A and Note 9 Long-Term Liabilities.
- Accounts payable and accrued liabilities increased by $1,126 thousand due primarily to increases in contract retainage payable, construction project invoices payable and payroll related deductions payable at

year end. See Note 7 Accounts Payable and Accrued Liabilities for additional information.

- Unearned revenue decreased by $484 thousand due primarily to decreases in prepaid tuition and fees and grant and contract unearned revenue at year-end.

Noncurrent Liabilities decreased by $1,556 thousand, or 2 percent.

- Noncurrent long-term liabilities increased by $158 thousand due primarily to an increase in contracts payable to the state resulting from an XI-F(1) bond sale made by the state on behalf of WOU. See Debt Administration later in this MD&A and Note 9.
- Net pension liability decreased by $1,637 thousand. See Note 14 Employee Retirement Plans.
- OPEB liabilities decreased by $77 thousand. See Note 15 for additional details.

Deferred Inflows of Resources increased by $1,643 thousand, or 409 percent.

- Deferred inflows related to the net pension liability increased by $1,605 thousand.
- Deferred inflows related to the OPEB net asset and liabilities increased by $38 thousand.

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

<u>**Comparison of fiscal year 2018 to fiscal year 2017**</u>

Current Liabilities increased by $872 thousand, or 4 percent, due primarily to:

- The current portion of long-term liabilities increased by $226 thousand primarily due to an increase in the compensated absences liability. See Note 9 Long-Term Liabilities.
- Accounts payable and accrued liabilities decreased by $558 thousand due primarily to a decrease in contract retainage payable resulting from the completion of a number of large construction projects, including the Woodcock Education Center and the Health and Counseling Center. See Note 7 Accounts Payable and Accrued Liabilities for additional information.
- Unearned revenue increased by $526 thousand due primarily to an increase in prepaid tuition and fees and increased grant and contract unearned revenue at year-end.

Noncurrent Liabilities decreased by $6,048 thousand, or 6 percent.

- Noncurrent long-term liabilities decreased by $3,344 thousand due primarily to debt service payments made during the year. See Debt Administration later in this MD&A and Note 9.
- Net pension liability decreased by $4,052 thousand. See Note 14 Employee Retirement Plans.
- The implementation of GASB Statement No. 75 added $1,348 thousand in total and net OPEB liabilities. See Note 15 for additional details.

Deferred Inflows of Resources increased by $27 thousand, or 7 percent

- Changes in accruals for the net pension liability decreased by $79 thousand.
- The implementation of GASB Statement No. 75 added $106 thousand in deferred inflows related to the OPEB net asset and liabilities.

See Note 6 for additional information.

Statement of Revenues, Expenses and Changes in Net Position (SRE)

Due to the classification of certain revenues as nonoperating revenue, WOU shows a loss from operations. State general fund appropriations, 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*, and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of WOU:

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

For the Year Ended June 30,	2019	2018	2017
Operating Revenues	**$ 64,507**	$ 68,552	$ 66,179
Operating Expenses	**107,904**	108,080	111,032
Operating Loss	**(43,397)**	(39,528)	(44,853)
Nonoperating Revenues,			
Net of Expenses	**41,162**	37,441	37,851
Other Revenues	**7,888**	7,547	3,299
Increase in Net Position Prior to	**5,653**	5,460	(3,703)
Net Position, Beginning of Year	**82,752**	77,292	82,254
Net Position, End of Year	**$ 88,405**	$ 82,752	$ 78,551

Net position increased by $5,653 thousand, or 7 percent, in 2019 compared to an increase of $4,201 thousand, or 5 percent, in 2018. During 2019, a decrease in operating revenue was offset by and a decrease in operating expenses and increases in nonoperating and other revenues. During 2018, an increase in operating revenue was further enhanced by a decrease in operating expenses.

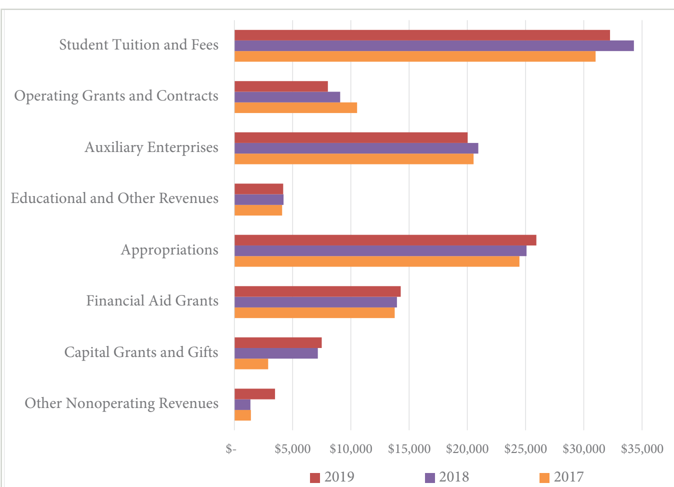
Total Revenues

Total revenues decreased by $421 thousand, or less than 1 percent, in 2019 over 2018. Decreases in all categories of operating revenues were offset by increases in appropriations, financial aid grants, gifts, investment activity and capital grants.

Total Operating, Nonoperating and Other Revenues (in 000's)

For the Year Ended June 30,	2019	2018	2017
Student Tuition and Fees	$ 32,253	$ 34,304	$ 31,007
Grants and Contracts	8,034	9,085	10,537
Auxiliary Enterprises	20,025	20,943	20,532
Educational and Other	4,195	4,220	4,103
Total Operating Revenues	64,507	68,552	66,179
Appropriations	25,929	25,087	24,469
Financial Aid Grants	14,284	13,954	13,769
Gifts	1,050	984	882
Investment Activity	2,487	401	533
Capital Grants and Gifts	7,506	7,165	2,907
Gain (Loss) on Sale of Assets, Net	(41)	-	2
Total Nonoperating Revenues	51,215	47,591	42,562
Total Revenues	$ 115,722	$ 116,143	$ 108,741

Total Operating, Nonoperating and Other Revenues (in 000's)



Operating Revenues

Total operating revenues decreased by $4,045 thousand in 2019, or 6 percent, over 2018, to $64,507 thousand. All categories of operating revenue decreased during 2019. Total operating revenues increased by $2,373 thousand in 2018, or 4 percent, over 2017, to $68,552 thousand. Increases in student tuition and fees, auxiliary enterprises, and educational and other revenues were offset by a decrease in grants and contracts revenue.

Comparison of fiscal year 2019 to fiscal year 2018

Net Student Tuition and Fees decreased by $2,051 thousand, or 5 percent.

- Tuition and fees decreased by $1,054 thousand due primarily to an enrollment decrease.
- Fee remissions and scholarship allowances reduced tuition and fees by $1,120 thousand more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $123 thousand resulting in an increase in net tuition and fees.

Federal, State and Nongovernmental Grants and Contracts decreased by $1,051 thousand, or 12 percent.

- Federal grant and contract revenues decreased by $1,361 thousand primarily due to decreased U.S. Department of Education grants.
- State grant and contract activity increased by $111 thousand primarily due to increased grants from the Department of Education and Department of Transportation offset by decreased grants from the Higher Education Coordinating Commission and other state agencies.
- Nongovernmental grant and contract activity increased by $199 thousand primarily due to increased grants and contracts from local governments and non-affiliated foundations.

Auxiliary Enterprises revenues decreased by $918 thousand, or 4 percent.

- Student health services revenues decreased by $53 thousand due primarily to decreased student health fee revenue slightly offset by increased office visit income.
- Housing and dining revenues decreased by $555 thousand. Decreased room and board revenue was slightly offset by increased conference revenue.
- Athletics revenues decreased by $73 thousand. Decreased revenues from ticket sales, guarantees and miscellaneous other sources were offset by increased revenues from other event income.
- Parking revenues decreased by $35 thousand primarily due to decreased parking fines and parking fee revenues.
- Bookstore revenues decreased by $118 thousand due primarily to decreased revenues from textbooks sales and other sales.

- Student centers and activities revenues decreased by $38 thousand primarily due to decreased revenue from rentals and ticket sales.
- Other auxiliary revenues decreased by $46 thousand primarily due to decreased recreation center and health counseling building student fees, incidental fees and vending machine revenue.

Educational Department Sales and Services and Other Operating revenues decreased by $25 thousand, or 1 percent.

- Educational department sales and services decreased by $169 thousand primarily due to decreased revenue from services, event hosting and miscellaneous sales and services.
- Other operating revenue increased by $144 thousand. Increased interest income and collection charges on student accounts were somewhat offset by decreases in financial aid administration cost recovery and reimbursements from outside entities.

<u>Comparison of fiscal year 2018 to fiscal year 2017</u>

Net Student Tuition and Fees increased by $3,297 thousand, or 11 percent.

- Tuition and fees increased by $2,327 thousand. Rate increases added $3,516 thousand, which was offset by a decrease of $1,189 thousand due to a decline in enrollment.
- Fee remissions and scholarship allowances reduced tuition and fees by $274 thousand more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $1,244 thousand resulting in an increase in net tuition and fees. The decrease in the bad debt expense was due to a decrease in the overall allowance for doubtful accounts associated with tuition and fees.

Federal, State and Nongovernmental Grants and Contracts decreased by $1,452 thousand, or 14 percent.

- Federal grant and contract revenues decreased by $114 thousand primarily due to decreased U.S. Department of Education grants and decreased U.S. Department of Justice cooperative agreements.
- State grant and contract activity decreased by $1,304 thousand primarily due to decreased grants from the Department of Education, Department of Human Services, Department of Transportation and the Higher Education Coordinating Commission.
- Nongovernmental grant and contract activity decreased by $34 thousand primarily due to decreased grants and contracts from commercial businesses, foundations and associations.

Auxiliary Enterprises revenues increased by $411 thousand, or 2 percent.

- Student health services revenues increased by $190 thousand due primarily to increased student health fee revenue and increased office visit income.
- Housing and dining revenues increased by $421 thousand due primarily to increased room and board revenue, conference housing revenue and a decrease in the bad debt allowance.
- Athletics revenues decreased by $28 thousand. Increased revenues from ticket sales and miscellaneous other sources were offset by decreased revenues from guarantees and other event income.
- Parking revenues increased by $40 thousand primarily due to increased parking fines and student parking fee revenues.
- Bookstore revenues decreased by $103 thousand due primarily to decreased revenues from textbooks sales and sales commissions.
- Student centers and activities revenues increased by $28 thousand primarily due to increased revenue from rentals and ticket sales.
- Other auxiliary revenues decreased by $137 thousand primarily due to decreased recreation center student fees, incidental fees and service revenue.

Educational Department Sales and Services and Other Operating revenues increased by $117 thousand, or 3 percent.

- Educational department sales and services increased by $71 thousand primarily due to increased event income and miscellaneous sales and services.
- Other operating revenue increased by $46 thousand. Increased interest income was somewhat offset by decreases in collection charges on student accounts, reimbursements from outside entities and other miscellaneous revenue.

Nonoperating and Other Revenues

Nonoperating revenues increased by $3,624 thousand, or 8 percent, during 2019 resulting primarily from increases in appropriations, financial aid grants and investment activity. Nonoperating revenues increased by $5,029 thousand, or 12 percent, during 2018 resulting mainly from increased capital grants and gifts and appropriations.

Comparison of fiscal year 2019 to fiscal year 2018

Government Appropriations increased by $842 thousand, or 3 percent.

- State appropriations in support of university operations increased by $842 thousand.
- State appropriations for SELP debt service and from lottery were unchanged.

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

Financial Aid Grants increased by $330 thousand, or 2 percent. A decrease in federal PELL grants was offset by increases in state opportunity grants and student aid from non-affiliated foundations.

Gifts increased by $66 thousand, or 7 percent, due primarily to continued increases in gifts from the WOU Development Foundation.

Investment Activity revenues increased by $2,086 thousand, or 520 percent due primarily to a substantial increase in net appreciation of investments as well as increases in investment earnings and gain on sale of investments. See Note 11 Investment Activity for additional information.

Capital Grants and Gifts increased by $341 thousand, or 5 percent. A decrease in revenue from state reimbursable capital construction grants was offset by capital appropriations used to backfill a shortfall of bond proceeds from the XI-F(1) bond sale.

Loss on Sale of Assets, Net increased by $41 thousand from zero during fiscal year 2018.

Comparison of fiscal year 2018 to fiscal year 2017

Government Appropriations increased by $618 thousand, or 3 percent.

- State appropriations in support of university operations increased by $628 thousand.
- State appropriations for SELP debt service decreased by $10 thousand.

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

Financial Aid Grants increased by $185 thousand, or 1 percent. A decrease in financial aid assistance from non-affiliated foundations was offset by an increase in federal SEOG grants.

Gifts increased by $102 thousand, or 12 percent, due primarily to an increase in gifts from the WOU Development Foundation.

Investment Activity revenues decreased by $132 thousand, or 25 percent. A loss on sale of investments was offset by increased investment earning. See Note 11 for additional information.

Capital Grants and Gifts increased by $4,258 thousand, or 146 percent, due primarily to an increase in revenue from state reimbursable capital construction grants.

Gain on Sale of Assets, Net decreased by $2 thousand, or 100 percent, to zero during fiscal year 2018.

Expenses

Operating Expenses

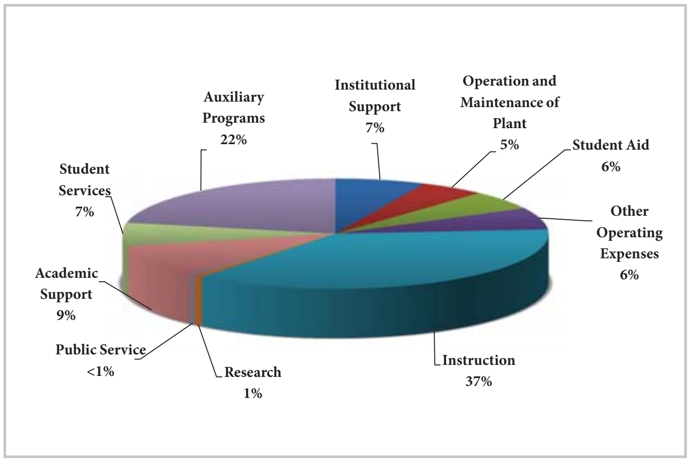
Operating expenses increased by $176 thousand in 2019, or less than 1 percent, compared to 2018, to $107,904 thousand. Decreases in expenses related to compensation and benefits, scholarships and fellowships, depreciation and amortization, and other expenses, were offset by an increase in services and supplies expense. Operating expenses decreased by $2,952 thousand in 2018, or 3 percent, compared to 2017, to $108,080 thousand. Decreases in expenses related to compensation and benefits, services and supplies, scholarships and fellowships and other expenses were only slightly offset by an increase in depreciation and amortization expense.

The following summarizes operating expenses by functional classification:

Operating Expense by Function (in 000's)

For the Year Ended June 30,	2019	2018	2017
Instruction	**$ 39,915**	$ 40,852	$ 43,559
Research	**810**	912	1,534
Public Service	**360**	532	493
Academic Support	**10,245**	10,248	9,758
Student Services	**7,410**	7,641	7,747
Auxiliary Programs	**23,527**	24,225	23,691
Institutional Support	**7,377**	6,996	6,543
Operation and Maintenance of Plant	**5,371**	5,166	4,974
Student Aid	**6,007**	6,584	6,838
Other Operating Expenses	**6,882**	4,924	5,895
Total Operating Expenses	**$ 107,904**	$ 108,080	$ 111,032

2019 Operating Expense by Function



The implementation of GASB Statement Nos. 68 and 71 beginning with fiscal year 2015 and GASB Statement No. 75 in fiscal year 2018, has had a significant impact on the operating expenses reported by WOU. The tables to the right show the effect of GASB Statement Nos. 68, 71 and 75 on operating expenses across the functional classifications.

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

For the Year Ended June 30, 2019	As Reported	Without GASB 68/71 & 75	Difference
Instruction	$ 39,915	$ 40,016	$ (101)
Research	810	815	(5)
Public Service	360	366	(6)
Academic Support	10,245	10,271	(26)
Student Services	7,410	7,441	(31)
Auxiliary Programs	23,527	23,573	(46)
Institutional Support	7,377	7,407	(30)
Operations & Maint. of Plant	5,371	5,401	(30)
Student Aid	6,007	6,007	-
Other Operating Expenses	6,882	6,889	(7)
Total Operating Expenses	**$ 107,904**	**$ 108,186**	**$ (282)**

For the Year Ended June 30, 2018	As Reported	Without GASB 68/71 & 75	Difference
Instruction	$ 40,852	$ 39,138	$ 1,714
Research	912	876	36
Public Service	532	511	21
Academic Support	10,248	9,837	411
Student Services	7,641	7,294	347
Auxiliary Programs	24,225	23,678	547
Institutional Support	6,996	6,647	349
Operations & Maint. of Plant	5,166	4,828	338
Student Aid	6,584	6,584	-
Other Operating Expenses	4,924	4,844	80
Total Operating Expenses	$ 108,080	$ 104,237	$ 3,843

For the Year Ended June 30, 2017	As Reported	Without GASB 68/71	Difference
Instruction	$ 43,559	$ 40,974	$ 2,585
Research	1,534	1,425	109
Public Service	493	475	18
Academic Support	9,758	9,145	613
Student Services	7,747	7,190	557
Auxiliary Programs	23,691	22,901	790
Institutional Support	6,543	5,994	549
Operations & Maint. of Plant	4,974	4,441	533
Student Aid	6,838	6,838	-
Other Operating Expenses	5,895	5,799	96
Total Operating Expenses	$ 111,032	$ 105,182	$ 5,850

Without the adjustments to compensation and benefits required under GASB Statement Nos. 68, 71 and 75, total operating expenses for WOU would have increased by $3,949 thousand, or 4 percent, during 2019 and would have decreased by $945 thousand, or 1 percent, during 2018.

Operating Expenses by Nature

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

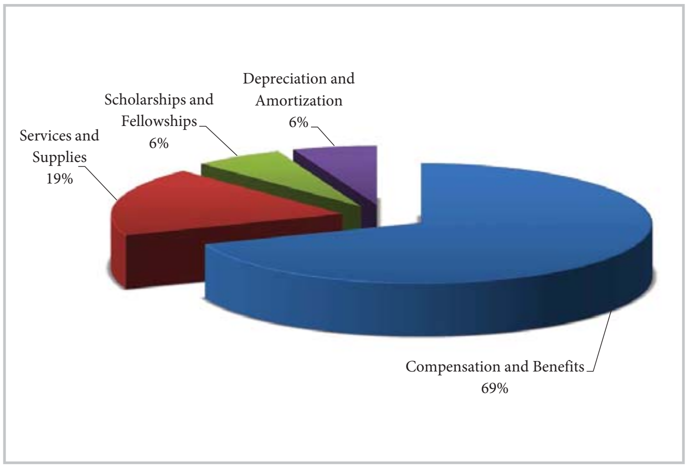
The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

(in 000's)

For the Year Ended June 30,	2019	2018	2017
Compensation and Benefits	**$ 74,642**	$ 74,685	$ 75,479
Services and Supplies	**20,109**	19,635	21,880
Scholarships and Fellowships	**6,789**	7,075	7,406
Depreciation and Amortization	**6,371**	6,555	6,067
Other Expenses	**(7)**	130	200
Total Operating Expenses	**$ 107,904**	$ 108,080	$ 111,032

2019 Operating Expenses by Natural Classification



Comparison of fiscal year 2019 to fiscal year 2018

Compensation and Benefits costs decreased by $43 thousand, or less than 1 percent.

- Salary and wage costs increased by $3,055 thousand due to increased wages and increases in faculty and staff employees.
- Retirement and health insurance costs increased by $367 thousand due to rate increases and additional faculty and staff employees.
- Other payroll expenses increased by $393 thousand.
- Other costs associated with compensation and benefits decreased by $76 thousand.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by $4,041 thousand. See table on the previous page and Note 14 Employee Retirement Plans for additional information on this variance.
- Adjustments and accruals associated with the OPEB asset/(liability) reporting requirements of GASB Statement No. 75 decreased by $85 thousand. See table on the previous page and Note 15 Other Postemployment Benefits (OPEB) for additional information on this variance.
- Other year end accruals associated with payroll, including hourly wages payable and compensated absences, increased by $344 thousand.

Services and Supplies expense increased by $474 thousand, or 2 percent, during 2019. Decrease in waste disposal, maintenance and repairs, and subcontract expenses were offset by increases in supplies, utilities, travel, and other services and supplies expenses.

Scholarships and Fellowships expenses decreased by $286 thousand, or 4 percent. This net decrease corresponds to a decrease in federal PELL, SEOG and TEACH grants only somewhat offset by increases in state opportunity grants and private aid. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization expense decreased by $184 thousand, or 3 percent, primarily due to asset retirements and some buildings now being fully depreciated.

Comparison of fiscal year 2018 to fiscal year 2017

Compensation and Benefits costs decreased by $794 thousand, or 1 percent.

- Salary and wage costs increased by $521 thousand due to increased wages, offset by a slight decrease in faculty and staff employees.
- Retirement and health insurance costs increased by $1,462 thousand due in large part to an increase in the PERS contribution rate for employers.
- Other payroll expenses increased by $151 thousand
- Other costs associated with compensation and benefits decreased by $13 thousand.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 decreased by $1,827 thousand. See table on the previous page and Note 14 for additional information on this variance.
- Adjustments and accruals associated with the OPEB asset/(liability) reporting requirements of GASB Statement No. 75 decreased by $214 thousand. See table on the previous page and Note 15 for additional information on this variance.

- Other year end accruals associated with payroll, including hourly wages payable and compensated absences, decreased by $874 thousand.

Services and Supplies expense decreased by $2,245 thousand, or 10 percent, during 2018. The decrease was seen across many categories including general supplies, communications, maintenance and repairs, other services and supplies, travel and sub-contracts. These decreases were slightly offset by increases in rentals, leases, and fees and services.

Scholarships and Fellowships expenses decreased by $331 thousand, or 4 percent. This net decrease corresponds to decreases in federal, state and athletic aid, offset somewhat by increases in federal PELL, state, affiliated foundation, institutional, and private aid. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and Amortization expense increased by $488 thousand, or 8 percent, primarily due to recently constructed or refurbished buildings being placed in service during 2018. Completed projects placed in service include the Woodcock Education Center and the Health and Counseling Center.

Nonoperating Expenses

Comparison of fiscal year 2019 to fiscal year 2018

Interest Expense decreased by $242 thousand, or 10 percent, due primarily to decreased bond interest expense.

Other Nonoperating Items increased by $196 thousand, or 84 percent, due primarily to the recording of the return of Perkins contributed capital in the prior year.

Comparison of fiscal year 2018 to fiscal year 2017

Interest Expense increased by $125 thousand, or 6 percent, due primarily to increased bond interest expense.

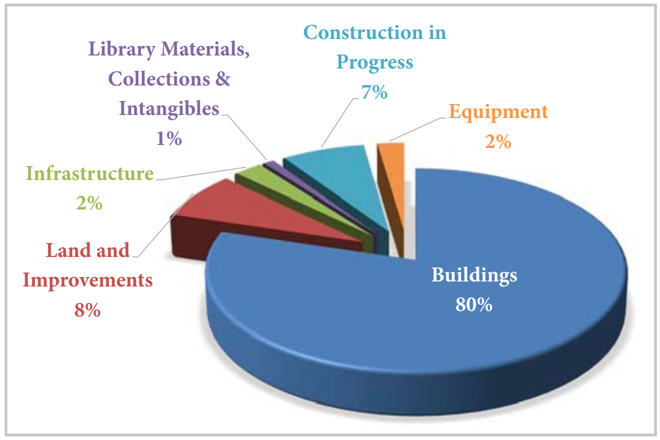
Other Nonoperating Items decreased by $1,066 thousand, or 128 percent, due primarily to a prior year refunding of underlying state XI-F(1) bond debt and the recording of $259 thousand return of contributed capital to the federal government due to the cancellation of the Perkins loan program by the U.S. Congress.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2019, WOU had $217,442 thousand in capital assets, less accumulated depreciation of $99,321 thousand, for net capital assets of $118,121 thousand. At June 30, 2018, WOU had $207,449 thousand in capital assets, less accumulated depreciation of $93,384 thousand, for net capital assets of $114,065 thousand. WOU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing WOU's deferred maintenance backlog. State, federal, private, debt, and internal WOU funding are all used to accomplish WOU's capital objectives.

2019 Capital Assets, Net - $118,121 Thousand



Changes to Capital Assets (in 000's)

For the Year Ended June 30,	2019	2018	2017
Capital Assets, Beginning of Year	**$ 207,449**	$ 199,932	$ 195,072
Add: Purchases/Construction	**10,470**	8,147	6,655
Less: Retirements/Disposals/Adjustments	**(477)**	(630)	(1,795)
Total Capital Assets, End of Year	**217,442**	207,449	199,932
Accum. Depreciation, Beginning of Year	**(93,384)**	(87,459)	(83,136)
Add: Depreciation Expense	**(6,371)**	(6,555)	(6,067)
Less: Retirements/Disposals/Adjustments	**434**	630	1,744
Total Accum. Depreciation, End of Year	**(99,321)**	(93,384)	(87,459)
Total Capital Assets, Net, End of Year	**$ 118,121**	$ 114,065	$ 112,473

Capital additions totaled $10,470 thousand for 2019, $8,147 thousand for 2018, and $6,655 thousand for 2017.

Capital asset additions for 2019 included $7,495 thousand for construction in progress for buildings; $1,008 thousand for equipment; $1,227 thousand for buildings; and $618 thousand for land improvements. Capital asset additions for 2018 included $911 thousand for construction in progress for buildings; $601 thousand for equipment; and $5,971 thousand for buildings which includes the purchase of the former Oregon Military Academy. Capital asset additions for 2017 included $4,158 thousand for construction in progress for buildings, land improvements, infrastructure and improvements other than buildings; $658 thousand for land for non-depreciable land improvements associated with the Woodcock Education Center; $1,442 thousand for equipment; and $277 thousand for buildings.

See Note 5 Capital Assets for additional information.

Debt Administration

During 2019, long-term debt held by WOU increased by $300 thousand, or 1 percent, from $51,561 thousand to $51,861 thousand.

- WOU made debt service principal payments totaling $2,525 thousand on outstanding long-term debt.
- WOU's outstanding debt increased by $3,020 thousand as the result of the state selling XI-F(1) bonds on behalf of the university. The debt is repayable to the state.
- WOU's obligation for accreted interest on outstanding debt decreased by a net $195 thousand.

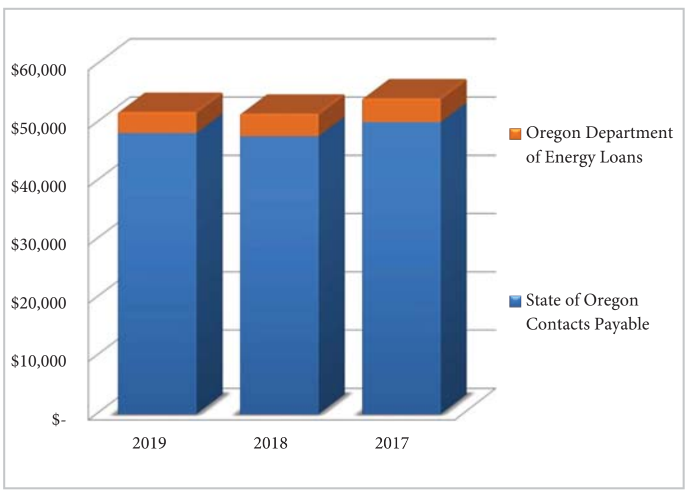
See Note 9 Long-Term Liabilities for additional details.

During 2018, long-term debt held by WOU decreased by $2,630 thousand, or 5 percent, from $54,191 thousand to $51,561 thousand.

- WOU made debt service principal payments totaling $2,407 thousand on outstanding long-term debt.
- WOU's obligation for accreted interest on outstanding debt decreased by a net $223 thousand.

See Note 9 and for additional details.

Long-term Debt (in 000's)



Economic Outlook

Funding for WOU's operations comes from a variety of sources including tuition and fees, state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs.

State funding for operations continue to challenge WOU's ability to meet its public mission of teaching, research, and service while maintaining affordable access to higher education. Western appreciates the efforts by the legislature to provide funding to meet the ongoing costs of operations for the university. Moreover, WOU acknowledges the difficult funding decisions required of the legislature in balancing the various needs of the state in the 2017-19 biennium. In a difficult budget environment the legislature added $72 million to the Governor's Recommended Budget for the seven public universities, which partially addressed the statewide need of $100 million required for the universities to keep tuition increases below 5 percent. With this added investment, Western was able to keep the average tuition increase to 4.25 percent for 2018-19 and the university kept the average increase for 2019-20 to 2.33 percent. The largest factor in Western's operating budget relates to overall personnel cost which total more than 83 percent of expenses. Increased compensation costs, salaries, and fringe benefits represent WOU's largest cost increase for the coming biennium.

For example, significantly higher pension costs for the 2017-19 and 2019-21 biennia are expected in light of increased cost associated with PERS and health care. Without additional state support, Western has few options outside of tuition increases to generate additional revenue. Taken together, these issues create additional fiscal challenges.

Despite these challenges, the WOU Board of Trustees and university leadership remain committed to meeting the challenges of ensuring an affordable education, providing a complement of student support services that meet our students' unique needs, and improving the graduation rates of our students. Western Oregon University plans for continued success in carrying out its core mission as a premier comprehensive public university by preparing for these challenges.

We move forward with cautious determination, optimism, and thoughtful preparation, recognizing that Western Oregon University's academic distinction and success is the result of the hard work and dedication of outstanding faculty, staff, and academic leaders who place the needs of our students first.

	2019	2018	2017
Viability Ratio (expendable net position to long-term debt)	**0.48**	0.46	0.42
Primary Reserve Ratio (expendable net position to operating expenses)	**0.24**	0.23	0.21
Net Revenues Ratio (total net income to total revenues)	**-1.28%**	-1.78%	-6.39%
Return on Net Assets Ratio (change in net position to beginning net position)	**7.16%**	7.18%	-2.49%
Debt Burden Ratio (debt service to total expenditures)	**4.03%**	3.94%	3.94%

VIABILITY RATIO

The Viability Ratio is a measure of clear financial health; the availability of expendable net position to cover debt should the university need to settle its obligations as of the fiscal year end. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the university plus the unrestricted and temporarily restricted net assets of the component unit. Long-term debt includes bonds, loans and capital leases payable by the university as well as the long-term liabilities of the component unit. A ratio of 1.00 or greater indicates an institution has sufficient expendable net position to satisfy debt requirements. WOU's Viability Ratio was 0.48 for fiscal year 2019.

PRIMARY RESERVE RATIO

The Primary Reserve Ratio, calculated by dividing expendable net position by operating expenses, measures the ability of the University to continue operating at current levels, within current restrictions, without future revenues. Expendable net position is the balance in total net position excluding investment in capital assets and non-expendable endowments of the university plus the unrestricted and temporarily restricted net assets of the component unit. Total operating expenses include the operating expenses and interest expenses of both the university and the component unit. Proof of an adequate reserve ratio is often required to secure long-term financing. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. WOU's Primary Reserve Ratio was 0.24 for fiscal year 2019.

NET REVENUES RATIO

The Net Revenues Ratio indicates whether the university has an operating surplus or deficit for the year. Total net income includes operating income (loss) plus net nonoperating revenues of the university, excluding capital gifts and debt service appropriations, plus total change in unrestricted net assets of the component unit. Total revenues include operating and net nonoperating revenues of the University plus unrestricted revenues, gains and other support of the component unit. A positive ratio indicates that the university experienced an operating surplus for the year. WOU's Net Revenues Ratio was -1.28 percent for fiscal year 2019.

RETURN ON NET ASSETS RATIO

The Return on Net Assets Ratio determines whether the university is financially better off than in previous years by measuring total economic return. Total change in net position includes the change in net position for the University plus the change in total net assets for the component unit. Total beginning net position includes the beginning net position of the university plus the total beginning net assets of the component unit. A positive ratio indicates a net increase in total net position at the end of the year. WOU's Return on Net Assets Ratio for fiscal year 2019 was 7.16 percent.

DEBT BURDEN RATIO

The Debt Burden Ratio measures the cost of servicing the debt of the University. This ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures. Total debt service includes the interest and principal payments on capital debt of both the university and the component unit. Total expenditures includes total expenses, including any loss on sale of assets and transfers, less depreciation plus debt service principal payments of both the University and the component unit. WOU's Debt Burden Ratio for fiscal year 2019 was 4.03 percent.

As of June 30,	2019	2018
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	**$ 21,367**	$ 19,350
Collateral from Securities Lending (Note 2)	**1,408**	2,189
Accounts Receivable, Net (Note 3)	**15,373**	8,522
Notes Receivable, Net (Note 4)	**739**	917
Inventories	**1,232**	1,214
Prepaid Expenses	**373**	289
Total Current Assets	**40,492**	32,481
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	**-**	850
Investments (Note 2)	**25,536**	31,206
Notes Receivable, Net (Note 4)	**2,518**	2,927
Net OPEB Asset (Note 15)	**290**	124
Capital Assets, Net of Accumulated Depreciation (Note 5)	**118,121**	114,065
Total Noncurrent Assets	**146,465**	149,172
Total Assets	**$ 186,957**	$ 181,653
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 13,055**	$ 13,009
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	**$ 10,897**	$ 9,771
Deposits	**212**	308
Obligations Under Securities Lending (Note 2)	**1,408**	2,189
Current Portion of Long-Term Liabilities (Note 9)	**4,791**	4,946
Unearned Revenues	**3,438**	3,922
Total Current Liabilities	**20,746**	21,136
Noncurrent Liabilities		
Long-Term Liabilities (Note 9)	**52,631**	52,473
Net Pension Liability (Note 14)	**33,824**	35,461
OPEB Liability (Note 15)	**2,361**	2,438
Total Noncurrent Liabilities	**88,816**	90,372
Total Liabilities	**$ 109,562**	$ 111,508
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 2,045**	$ 402
NET POSITION		
Net Investment in Capital Assets	**$ 66,611**	$ 63,049
Restricted Expendable For:		
Gifts, Grants and Contracts	**723**	657
Student Loans	**7,375**	6,426
Capital Projects	**1,845**	11
Debt Service	**116**	314
OPEB Asset	**290**	124
Unrestricted (Note 10)	**11,445**	12,171
Total Net Position	**$ 88,405**	$ 82,752

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

As of June 30,		2019		2018
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**503**	$	452
Contributions, Pledges and Grants Receivable, Net		**37**		105
Investments (Note 2)		**17,004**		15,608
Due from WOU		**246**		278
Property and Equipment, Net		**214**		304
Total Assets	**$**	**18,004**	$	16,747
LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**77**	$	71
Annuities Payable		**892**		952
Notes Payable		**76**		155
Total Liabilities	**$**	**1,045**	$	1,178
NET ASSETS				
Without Donor Restrictions	**$**	**2,164**	$	1,348
With Donor Restrictions		**14,795**		14,221
Total Net Assets	**$**	**16,959**	$	15,569
Total Net Assets & Liabilities	**$**	**18,004**	$	16,747

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

For the Years Ended June 30,	2019	2018
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $13,338 and $12,340, respectively)	**$ 32,253**	$ 34,304
Federal Grants and Contracts	**6,477**	7,838
State and Local Grants and Contracts	**1,198**	1,087
Nongovernmental Grants and Contracts	**359**	160
Educational Department Sales and Services	**688**	857
Auxiliary Enterprises Revenues (Net of Allowances of $1,494 and $1,213, respectively)	**20,025**	20,943
Other Operating Revenues	**3,507**	3,363
Total Operating Revenues	**64,507**	68,552
OPERATING EXPENSES		
Instruction	**39,915**	40,852
Research	**810**	912
Public Service	**360**	532
Academic Support	**10,245**	10,248
Student Services	**7,410**	7,641
Auxiliary Programs	**23,527**	24,225
Institutional Support	**7,377**	6,996
Operation and Maintenance of Plant	**5,371**	5,166
Student Aid	**6,007**	6,584
Other Operating Expenses	**6,882**	4,924
Total Operating Expenses (Note 12)	**107,904**	108,080
Operating Loss	**(43,397)**	(39,528)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 13)	**25,547**	24,705
Financial Aid Grants	**14,284**	13,954
Gifts	**1,050**	984
Investment Activity (Note 11)	**2,487**	401
Loss on Sale of Assets, Net	**(41)**	-
Interest Expense	**(2,128)**	(2,370)
Other Nonoperating Items	**(37)**	(233)
Net Nonoperating Revenues	**41,162**	37,441
Loss Before Other Nonoperating Revenues	**(2,235)**	(2,087)
Debt Service Appropriations (Note 13)	**382**	382
Capital Grants and Gifts	**7,506**	7,165
Total Other Nonoperating Revenues	**7,888**	7,547
Increase In Net Position	**5,653**	5,460
NET POSITION		
Beginning Balance	**82,752**	77,292
Ending Balance	**$ 88,405**	$ 82,752

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

For the Years Ended June 30,	2019	2018
	(In thousands)	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	**$ 650**	$ 462
Net Investment Returns	**79**	25
Net Assets Released From Restrictions	**2,177**	1,588
Other Revenues	**35**	41
Total Revenues	**2,941**	2,116
EXPENSES		
University and Scholarships Program	**1,509**	1,573
Managerial and General	**409**	330
Fundraising	**207**	99
Total Expenses	**2,125**	2,002
Increase In Net Assets Without Donor Restrictions	**816**	114
Beginning Net Assets Without Donor Restrictions	**1,348**	1,235
Ending Net Assets Without Donor Restrictions	**$ 2,164**	$ 1,349
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
REVENUES		
Contributions	**$ 1,652**	$ 1,697
Net Investment Returns	**815**	725
Other Revenues	**284**	262
Net Assets Released From Restrictions	**(2,177)**	(1,588)
Increase In Net Assets With Donor Restrictions	**574**	1,096
Beginning Net Assets With Donor Restrictions	**14,221**	13,124
Ending Net Assets With Donor Restrictions	**$ 14,795**	$ 14,220
Beginning Balance	**15,569**	14,359
Increase In Total Net Assets	**1,390**	1,210
Ending Balance	**$ 16,959**	$ 15,569

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

STATEMENTS OF CASH FLOWS
WESTERN OREGON UNIVERSITY

For the Years Ended June 30,	2019	2018
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 30,565**	$ 32,736
Grants and Contracts	**6,636**	10,204
Educational Department Sales and Services	**688**	857
Auxiliary Enterprises Operations	**19,464**	20,931
Payments to Employees for Compensation and Benefits	**(74,804)**	(70,838)
Payments to Suppliers	**(19,705)**	(20,377)
Student Financial Aid	**(6,789)**	(7,075)
Other Operating Receipts	**3,435**	3,362
Net Cash Used by Operating Activities	**(40,510)**	(30,200)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**25,547**	24,705
Financial Aid Grants	**14,284**	13,954
Other Gifts and Private Contracts	**1,012**	1,052
Net Internal Agency Fund Payments	**(96)**	(170)
Net Cash Provided by Noncapital Financing Activities	**40,747**	39,541
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**382**	382
Capital Grants and Gifts	**4,515**	7,776
Bond Proceeds from Capital Debt	**3,020**	-
Sales of Capital Assets	**2**	-
Purchases of Capital Assets	**(10,197)**	(8,973)
Interest Payments on Capital Debt	**(2,229)**	(2,237)
Principal Payments on Capital Debt	**(2,720)**	(2,630)
Net Cash Used by Capital and Related Financing Activities	**(7,227)**	(5,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**6,781**	(1,718)
Income on Investments and Cash Balances	**1,376**	935
Net Cash Provided (Used) by Investing Activities	**8,157**	(783)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,167**	2,876
CASH AND CASH EQUIVALENTS		
Beginning Balance	**20,200**	17,324
Ending Balance	**$ 21,367**	$ 20,200

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

For the Years Ended June 30,		**2019**		2018
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	**$**	**(43,397)**	$	(39,528)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation Expense		**6,371**		6,555
Changes in Assets and Liabilities:				
Accounts Receivable		**(3,860)**		(858)
Notes Receivable		**587**		(62)
Inventories		**(18)**		(64)
Prepaid Expenses		**(84)**		65
Accounts Payable and Accrued Liabilities		**917**		(121)
Long-Term Liabilities		**(297)**		(488)
Unearned Revenue		**(446)**		458
Net Pension Liability and Related Deferrals		**(17)**		4,024
OPEB (Asset)/Liability and Related Deferrals		**(266)**		(181)
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(40,510)**	$	(30,200)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	**$**	**1,111**	$	(534)

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Western Oregon University (WOU or university) is governed by the Western Oregon University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the State Senate. WOU is located in Monmouth, Oregon.

The financial reporting entity includes WOU and the Western Oregon University Development Foundation (foundation), which is reported as a discretely presented component unit under the guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Discretely presented means that the statements are included separately in the financial report. See Note 21 for additional information relating to this component unit. The Governor of the State of Oregon (state) appoints the WOU Board, and because WOU receives some financial support from the state, WOU is a discretely presented component unit of the state and is included in the state's comprehensive annual financial report (CAFR).

B. Financial Statement Presentation

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

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

Financial statements of the foundation for the fiscal years ended June 30, 2019 and 2018 are discretely presented because of the difference in its reporting model. The foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the university. No modifications have been made to the foundation's financial information included in the university's financial report.

C. Basis of Accounting

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

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

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

UPCOMING ACCOUNTING STANDARDS

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and guidance on how to report activities meeting the criteria in a fiduciary fund in the basic financial statements. The Statement is effective for the fiscal year ending June 30, 2020 and may apply to custodial funds, primarily for student groups, held by the university.

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

Between July 2018 and June 2019, GASB issued the following statements which do not currently apply to WOU, but may under certain circumstances: Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* and Statement No. 91, *Conduit Debt Obligations*

D. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of: cash on hand, cash and investments held by the state in the Oregon Short-Term Fund (OSTF), and cash held by U.S. Bank as required by the U.S. Department of Education for Title IV funds.

E. Investments

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

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

F. Receivables

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

Notes receivable consist primarily of student loans receivable due from the federal Perkins Loan Program and from other loans administered by the university. Construction reimbursements loan receivables are amounts receivable from the state in connection with reimbursement of allowable expenditures made pursuant to the contracts between the university and the state for facilities projects funded by the university. Construction Reimbursements can be current or long term depending on the estimated timing of completion of construction projects. WOU does not currently hold any notes receivable from the state related to construction reimbursements.

G. Inventories

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

H. Capital Assets

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

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

I. Unearned Revenues

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

J. Compensated Absences

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

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

K. Net Pension Liability

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

L. Other Postemployment Benefits (OPEB) Liabilities and Asset

The OPEB liabilities and asset, deferred outflows of resources and deferred inflows of resources related to PERS and PEBB OPEB, and OPEB expense, are actuarially determined at the system-wide Plan level and are allocated to employers based on their proportionate share. WOU is included in the proportionate share for all state agencies. The university's proportionate share of all state agencies is allocated to WOU by the Oregon State Department of Administrative Services.

M. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. These deferred outflows have a positive effect on net position that is similar to assets, but they are not considered assets. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. These deferred inflows have a negative effect on net position, but they are not considered liabilities. Deferred outflows and inflows are related to defined benefit pension plans and defined benefit OPEB plans. See Note 6 Deferred Inflows and Deferred Outflows of Resources, Note 14 Employee Retirement Plans and Note 15 Other Postemployment Benefit Plans (OPEB) for additional information.

N. Net Position

WOU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

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

RESTRICTED – EXPENDABLE

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

UNRESTRICTED

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

O. Restricted/Unrestricted Resources

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

P. Endowments

There are no amounts reported as Nonexpendable Endowments on the Statement of Net Position. Endowments that benefit WOU are owned and reported by the WOU Development Foundation.

The foundation policy is to annually distribute, for spending purposes to the university, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits.

Q. Income Taxes

WOU is treated as a governmental entity for tax purposes. As such, WOU is generally not subject to federal and state income taxes. However, WOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2019 or 2018, because there is no significant amount of taxes on such unrelated business income for WOU.

R. Revenues and Expenses

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

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

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

S. State Support

WOU receives support from the state in the form of general fund and lottery appropriations and debt service appropriations for some Oregon Department of Energy loans. See Note 13 Government Appropriations for details on appropriations.

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

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

T. Allowances

Student tuition and fees and campus housing fees included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the university's stated rates and charges, and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the university are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the university's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the university has reported a corresponding scholarship allowance.

WOU has three types of allowances that net into tuition and fees. Tuition and housing waivers, provided directly by WOU, amounted to $5,145 and $4,155 for the fiscal years ended 2019 and 2018, respectively. Revenues from financial aid programs (e.g. Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $9,367 and $9,044 for the fiscal years ended 2019 and 2018, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $320 and $354 for the fiscal years ended 2019 and 2018, respectively.

U. Federal Student Loan Programs

WOU receives proceeds from the Federal Direct Student Loan Program. Since WOU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an internal agency fund. Federal student loans received by WOU students but not reported in operations was $26,430 and $27,661 for the fiscal years ended 2019 and 2018, respectively.

V. Deposit Liabilities

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

W. Use of Estimates

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

2. CASH AND INVESTMENTS

At June 30, 2019 and 2018, the majority of WOU's cash and investments were held in custody with the Oregon State Treasury (OST). The OST manages these invested assets through several commingled investment pools. The operating funds of WOU are commingled with cash and investments from other public universities in Oregon and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the OST and administered by the statutorily defined designated university, currently Oregon State University. WOU is a participant in the PUF investment pools along with other public universities from the State. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. OST invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

In general, deposits and investment securities as described below are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the investment risk exposure, see Note 2.B below.

For full disclosure regarding cash and investments managed by the OST, a copy of the OST audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St, NE, Suite 100, Salem, OR 97301-3896 or by linking via the internet at:

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

https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized as follows:

	June 30, 2019	June 30, 2018
Current		
Unrestricted	**$ 11,949**	$ 12,563
Unrestricted Cash Reserve	**1,076**	556
Debt Service Cash Reserve	**695**	646
Quasi-Endowment	**364**	-
Restricted For:		
Student Aid	**1,906**	995
Debt Service	**240**	241
Payroll Vendor Payments	**3,935**	3,536
Student Groups and Campus Organizations	**196**	302
Title IV Perkins Loan Cash	**985**	490
Petty Cash	**21**	21
Total Current	**21,367**	19,350
Noncurrent		
Capital Reserve	-	779
Restricted For Capital	-	71
Total Noncurrent	-	850
Total	**$ 21,367**	$ 20,200

DEPOSITS WITH OREGON STATE TREASURY

WOU maintains the majority of its cash balances on deposit with OST. These deposits at the OST are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool available for use by all state agencies or by agreement for related state agencies, such as WOU. The OST invests these deposits in high-grade short-term investment securities. While WOU is not required by statute to collateralize deposits, the university has a contractual obligation with the OST to collateralize deposits within 24 hours of receipt. At the fiscal year ended June 30, 2019 and 2018, WOU cash and cash equivalents on deposit at OST were $20,361 and $19,689, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

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

FOREIGN CURRENCY RISK—DEPOSITS

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

OTHER DEPOSITS

For the years ended June 30, 2019 and 2018, WOU had cash at US Bank held for Title IV Perkins Loans of $985 and $490, respectively. Additionally, for the years ended June 30, 2019 and 2018, WOU had vault and petty cash balances of $21.

B. Investments

WOU's operating funds are invested in the PUF. University investments in the PUF are invested in the Core Bond Fund (CBF) managed by the OST. The CBF invests primarily in intermediate-term fixed income securities and is managed with an investment objective to maximize total return (i.e., principal and income) over an intermediate time horizon within stipulated risk parameters. The CBF is actively managed to maintain an average duration of four to five years, through a diversified portfolio of quality, investment grade fixed income securities as defined in the portfolio guidelines.

During 2019, WOU established a quasi-endowment, funded with an initial investment of $1 million. The WOU quasi-endowment assets are managed separately by the State Treasury, invested in mutual and/or index funds, and directed by external investment managers who are under contract to the OIC. Per policy, the endowment assets have a medium to long-term time horizon. As such, the assets are invested with a medium-term horizon while maintaining a prudent level of risk.

All investments are managed as a prudent investor would do, exercising reasonable care, skill and caution. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of WOU's investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2019 and 2018.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2019 and 2018, WOU had a total of $25,536 and $31,206 in investments, respectively. As of June 30, 2019, of the total investments, $24,879 was invested through the PUF CBF and $657 was a separately invested quasi-endowment.

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Investments of the WOU discretely presented component unit are summarized at fair value as follows:

	June 30, 2019	June 30, 2018
Investment Type:		
Marketable Securities	$ 16,702	$ 14,970
Money Market Funds and Cash	260	523
Cash Value of Life Insurance Policies	42	115
Total Investments	$ 17,004	$ 15,608

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. WOU has an investment policy for each segment of its investment portfolio. As of June 30, 2019, approximately 93.3 percent of investments in the CBF were subject to credit risk reporting. Fixed income securities rated by the credit agencies as BBB to AAA, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $209,190, or 61.8 percent of the PUF Core Bond Fund. Fixed income securities which have not been evaluated by the rating agencies totaled $106,502, or 31.5 percent of the PUF Core Bond Fund. The PUF Core Bond Fund totaled $338,348, of which WOU owned $24,879, or 7.4 percent. As of June 30, 2019, WOU's quasi-endowment assets managed by OST are invested in commingled funds and do not have independently published ratings.

As of June 30, 2018, approximately 92.6 percent of investments in the CBF were subject to credit risk reporting. Fixed income securities rated by the credit agencies as BBB to AAA, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $269,463, or 71.8 percent of the PUF Core Bond Fund. Fixed income securities which have not been evaluated by the rating agencies totaled $78,122, or 20.8 percent of the PUF Core Bond Fund. The PUF Core Bond Fund totaled $375,496, of which WOU owned $31,206 or 8.3 percent.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the university will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The OIC has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2019 and 2018, the university's investments were exposed to custodial credit risk indirectly through the OST.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The PUF policy for reducing this risk for fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer or no more than three percent of the individual issue. For the years ended June 30, 2019 and 2018, neither the PUF nor the separately invested endowment held any securities from a single issuer that exceeded five percent of the bond portfolio.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Per PUF investment policy, all investments are to be in U.S. dollar denominated securities, therefore no amounts of the PUF CBF investments had reportable foreign currency risk at June 30, 2019 or 2018.

As of June 30, 2019, $40, or 6.1 percent, of the quasi-endowment investments were held subject to foreign currency risk.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2019, securities in the PUF CBF held subject to interest rate risk totaling $315,692 had an average duration of 3.39 years. Additionally, securities of the WOU quasi-endowment investments held subject to interest rate risk totaling $280 had an average duration of 6.20 years. As of June 30, 2018, securities in the PUF CBF held subject to interest rate risk totaling $347,585 had an average duration of 3.71 years. Duration measures the change in the value of a fixed income security that will result from a 1% change in interest rates.

FAIR VALUE MEASUREMENT

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

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

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

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

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

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The fair value of WOU's investments in the PUF are based on the investments' net asset value (NAV) per share provided by the Treasury. Fair value measurements for the university's investments in the CBF at June 30 2019 and 2018 totaled $24,879 and $31,206, respectively.

At June 30, 2019, 42.6 percent, or $280, of the WOU quasi-endowment managed by the State Treasury was valued using level 1 inputs and 57.4 percent, or $377, was valued using level 2 inputs.

C. Securities Lending

In accordance with the state investment policies, the state participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the state and borrowers maintain the right to terminate all securities lending transactions on demand. WOU's cash on deposit with the OST is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2019 and 2018.

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

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies and related agencies, including WOU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

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

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2019 and 2018, is effectively one day. As of June 30, 2019 and 2018, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the university's share of securities lending balances on loan comprised the following:

	June 30, 2019	June 30, 2018
Investment Type		
U.S. Treasury and Agency Securities	$ **1,990**	$ 2,092
Domestic Fixed Income Securities	**453**	1,978
Total	$ **2,443**	$ 4,070

The fair value of the university's share of total cash and securities collateral received as of June 30, 2019 and 2018 was $2,492 and $4,154, respectively. The fair value of the university's share of investments purchased with cash collateral as of June 30, 2019 and 2018 was $1,409 and $2,190 respectively.

3. ACCOUNTS RECEIVABLE

Accounts Receivable comprised the following:

	June 30, 2019	June 30, 2018
Student Tuition and Fees	$ **18,487**	$ 19,483
Federal Grants and Contracts	**2,816**	1,485
State Capital Construction Grants and Contracts	**3,301**	310
Auxiliary Enterprises and Other Operating Activities	**2,464**	1,850
State, Other Government, and Private Gifts, Grants and Contracts	**1,052**	1,079
Other	**241**	189
	28,361	24,396
Less: Allowance for Doubtful Accounts	**(12,988)**	(15,874)
Accounts Receivable, Net	$ **15,373**	$ 8,522

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program are funded through interest earnings and repayment of loans. Federal Perkins loans deemed uncollectable are assigned to the U.S. Department of Education for collection. WOU has provided an allowance for uncollectable loans, which in management's opinion will absorb loans that will ultimately be written off.

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

	June 30, 2019			June 30, 2018		
	Current	**Noncurrent**	**Total**	Current	Noncurrent	Total
Institutional and Other Student Loans	**$ 768**	**$ 5**	**$ 773**	$ 1,101	$ 5	$ 1,106
Federal Student Loans	**666**	**2,996**	**3,662**	782	3,489	4,271
	1,434	**3,001**	**4,435**	1,883	3,494	5,377
Less: Allowance for Doubtful Accounts	**(695)**	**(483)**	**(1,178)**	(966)	(567)	(1,533)
Notes Receivable, Net	**$ 739**	**$ 2,518**	**$ 3,257**	$ 917	$ 2,927	$ 3,844

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2017	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2018	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2019**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 5,491	$ -	$ 189	$ -	$ 5,680	**$ -**	**$ -**	**$ -**	**$ 5,680**
Capitalized Collections	667	-	-	-	667	**-**	**-**	**-**	**667**
Construction in Progress	4,224	911	(4,162)	-	973	**7,495**	**(25)**	**-**	**8,443**
Total Capital Assets, Non-depreciable/Non-amortizable	10,382	911	(3,973)	-	7,320	**7,495**	**(25)**	**-**	**14,790**
Capital Assets, Depreciable/ Amortizable:									
Equipment	10,456	601	-	(408)	10,649	**1,008**	**-**	**(461)**	**11,196**
Library Materials	5,706	59	-	(222)	5,543	**64**	**-**	**(16)**	**5,591**
Buildings	157,741	5,971	3,819	-	167,531	**1,227**	**25**	**-**	**168,783**
Land Improvements	4,722	89	-	-	4,811	**618**	**-**	**-**	**5,429**
Improvements Other Than Buildings	2,659	83	119	-	2,861	**58**	**-**	**-**	**2,919**
Infrastructure	6,396	433	35	-	6,864	**-**	**-**	**-**	**6,864**
Intangible Assets	1,870	-	-	-	1,870	**-**	**-**	**-**	**1,870**
Total Capital Assets, Depreciable/Amortizable	189,550	7,236	3,973	(630)	200,129	**2,975**	**25**	**(477)**	**202,652**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(7,253)	(1,040)	-	408	(7,885)	**(1,032)**	**-**	**418**	**(8,499)**
Library Materials	(5,135)	(154)	-	222	(5,067)	**(126)**	**-**	**16**	**(5,177)**
Buildings	(65,598)	(4,581)	-	-	(70,179)	**(4,440)**	**-**	**-**	**(74,619)**
Land Improvements	(2,892)	(230)	-	-	(3,122)	**(236)**	**-**	**-**	**(3,358)**
Improvements Other Than Buildings	(1,327)	(243)	-	-	(1,570)	**(247)**	**-**	**-**	**(1,817)**
Infrastructure	(3,416)	(274)	-	-	(3,690)	**(290)**	**-**	**-**	**(3,980)**
Intangible Assets	(1,838)	(33)	-	-	(1,871)	**-**	**-**	**-**	**(1,871)**
Total Accumulated Depreciation/ Amortization	(87,459)	(6,555)	-	630	(93,384)	**(6,371)**	**-**	**434**	**(99,321)**
Total Capital Assets, Net	$ 112,473	$ 1,592	$ -	$ -	$ 114,065	**$ 4,099**	**$ -**	**$ (43)**	**$ 118,121**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 10,382	$ 911	$ (3,973)	$ -	$ 7,320	**$ 7,495**	**$ (25)**	**$ -**	**$ 14,790**
Capital Assets, Depreciable/ Amortizable	189,550	7,236	3,973	(630)	200,129	**2,975**	**25**	**(477)**	**202,652**
Total Cost of Capital Assets	199,932	8,147	-	(630)	207,449	**10,470**	**-**	**(477)**	**217,442**
Less Accumulated Depreciation/ Amortization	(87,459)	(6,555)	-	630	(93,384)	**(6,371)**	**-**	**434**	**(99,321)**
Total Capital Assets, Net	$ 112,473	$ 1,592	$ -	$ -	$ 114,065	**$ 4,099**	**$ -**	**$ (43)**	**$ 118,121**

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

6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows and Deferred Inflows of Resources comprised the following:

	June 30, 2019	June 30, 2018
Deferred Outflows of Resources		
Pension		
Contributions Subsequent to the Measurement Date	**$ 3,028**	$ 3,125
Changes in Assumptions	**7,864**	6,464
Net Difference Between Projected and Actual Earnings on Plan Investments	**-**	365
Differences Between Contributions and Proportionate Share of Contributions	**69**	45
Change in Proportionate Share	**631**	1,043
Difference Between Expected and Actual Experience	**1,151**	1,715
OPEB		
Contributions Subsequent to the Measurement Date	**250**	249
Changes in Assumptions	**59**	-
Change in Proportionate Share	**3**	3
Total Deferred Outflows	**$ 13,055**	$ 13,009
Deferred Inflows of Resources		
Pension		
Differences Between Contributions and Proportionate Share of Contributions	**$ 154**	$ 296
Change in Proportionate Share	**245**	-
Net difference Between Projected and Actual Earnings on Plan Investments	**1,502**	-
OPEB		
Net difference Between Projected and Actual Earnings on Plan Investments	**68**	63
Difference Between Expected and Actual Experience	**40**	-
Changes in Assumptions	**36**	43
Total Deferred Inflows	**$ 2,045**	$ 402

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2019	June 30, 2018
Services and Supplies	**$ 2,234**	$ 1,735
Salaries and Wages	**3,194**	3,169
Payroll Related	**3,909**	3,516
Accrued Interest	**980**	1,081
Perkins FCC Payable	**259**	259
Contract Retainage	**321**	11
	$ 10,897	$ 9,771

8. OPERATING LEASES PAYABLE

In January 2019, WOU entered into a noncancelable operating lease for classroom and office space in Salem, Oregon. Total costs for the lease was $9 for the year ended June 30, 2019. Minimum future lease payments on the operating lease at June 30, 2019 are:

For the year ending June 30,	
2020	$ 32
2021	55
Total Minimum Operating Lease Payments	$ 87

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

9. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 47,713	$ 3,048	$ (2,512)	$ 48,249	$ 2,279	$ 45,970
Oregon Department of Energy Loans (SELP)	3,848	-	(236)	3,612	243	3,369
Total Long-Term Debt	51,561	3,048	(2,748)	51,861	2,522	49,339
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	3,623	-	(279)	3,344	317	3,027
Compensated Absences	2,132	1,734	(1,709)	2,157	1,892	265
Faculty Banked Credits	103	60	(103)	60	60	-
Total Other Noncurrent Liabilities	5,858	1,794	(2,091)	5,561	2,269	3,292
Total Long-Term Liabilities	$ 57,419	$ 4,842	$ (4,839)	$ 57,422	$ 4,791	$ 52,631

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 50,114	$ 44	$ (2,445)	$ 47,713	$ 2,512	$ 45,201
Oregon Department of Energy Loans (SELP)	4,077	-	(229)	3,848	232	3,616
Total Long-Term Debt	54,191	44	(2,674)	51,561	2,744	48,817
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	3,849	-	(226)	3,623	227	3,396
Compensated Absences	1,857	2,005	(1,730)	2,132	1,877	255
Faculty Banked Credits	640	98	(635)	103	98	5
Total Other Noncurrent Liabilities	6,346	2,103	(2,591)	5,858	2,202	3,656
Total Long-Term Liabilities	$ 60,537	$ 2,147	$ (5,265)	$ 57,419	$ 4,946	$ 52,473

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

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

For the Year Ending June 30,	Contracts Payable	SELP	Total Payments	Principal	Interest
2020	$ 4,322	$ 401	$ 4,723	$ 2,312	$ 2,411
2021	4,368	400	4,768	2,572	2,196
2022	4,303	400	4,703	2,477	2,226
2023	4,352	401	4,753	2,737	2,016
2024	4,308	401	4,709	2,814	1,895
2025-2029	20,739	2,003	22,742	15,317	7,425
2030-2034	15,365	689	16,054	11,918	4,136
2035-2039	11,058	-	11,058	9,357	1,701
2040-2044	2,097	-	2,097	2,006	91
Accreted Interest				351	(351)
				$ 51,861	$ 23,746
Total Future Debt Service	**70,912**	**4,695**	**75,607**		
Less: Interest Component of Future Payments	(22,663)	(1,083)	(23,746)		
Principal Portion of Future Payments	**$ 48,249**	**$ 3,612**	**$ 51,861**		

The state periodically issues bonded debt which it then loans to the university for capital construction. WOU has entered into contract loan agreements with the state for the principal and interest amounts due. In addition, WOU also borrows funds from the Oregon Department of Energy. The state may periodically issue new debt to refund previously held debt. Per the contract and loan agreements, when this happens the state is required to pass the savings on to the university.

A. Contracts Payable

WOU has entered into loan agreements with the state for repayment of bonds issued by the state on behalf of WOU for capital construction and refunding of previously issued debt. WOU makes loan payments (principal and interest) to the state in accordance with the loan agreements. Loans, with effective yields ranging from 1.78 percent to 7.0 percent, are due serially through 2042.

During the fiscal year ended June 30, 2019, the state issued, on behalf of WOU, $3,020 of Series 2019E XI-F(1) Tax Exempt bonds with an effective rate of 5.00 percent, due serially through 2040 for capital construction. The issuance resulted in an increase to WOU’s contracts payable to the state.

Other changes to WOU's contract payable during fiscal year 2019 include debt service payments for principal of $2,289 and the addition of $28 and the deduction of $223 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

During the fiscal year ended June 30, 2018, the state did not issue any bonds which resulted in either an increase or a decrease to WOU’s contracts payable to the State. Changes to WOU's contract payable during fiscal year 2018 include debt service payments for principal of $2,179 and the addition of $44 and the deduction of $266 for the amortization of accreted interest applicable to zero coupon bonds sold prior to 2002.

B. Oregon Department of Energy Loans

WOU has entered into loan agreements with the state Department of Energy (DOE) Small-Scale Energy Loan Program (SELP) for energy conservation projects at WOU. WOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 4.64 percent to 4.33 percent, are due through 2031.

C. State and Local Government Rate Pool

Prior to the formation of the PERS state and local government rate pool (SLGRP), the state and community colleges were pooled together in the state and community college pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the state is being amortized over the period ending December 31, 2027. The liability is allocated by the State, based on salaries and wages, to all public universities, state proprietary funds and the government-wide reporting fund in the state's comprehensive annual financial report. Interest expense was paid by WOU in the amount of $240 and $248 for June 30, 2019 and 2018, respectively. Principal payments of $279 and $226 were applied to the liability for June 30, 2019 and 2018, respectively.

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D. Faculty Banked Credits

Per the collective bargaining agreement (CBA) between the WOU Federation of Teachers and the university effective July 1, 2017, tenured or tenure-track faculty who teach individually designed courses outside of their tenured or tenure-track regular teaching load are eligible for credit banking compensation adjustments, subject to conditions in the CBA. Currently there are 20 eligible faculty members with banked credits who either may request a cash payment or paid faculty release time, which must be cashed out or used within the next five years. The total liability as of June 30, 2019 was $60.

10. UNRESTRICTED NET POSITION

Unrestricted Net Position is comprised of the following:

	June 30, 2019	June 30, 2018
University Operations	**$ 41,127**	$ 43,286
Unrestricted Quasi-Endowment	**1,021**	-
Net Pension Liability (See Note 14)	**(33,824)**	(35,461)
Other Post-Employment Benefits (OPEB) Liability (see Note 15)	**(2,361)**	(2,438)
Pension & OPEB Related Deferred Outflows (See Note 6)	**13,055**	13,009
Pension & OPEB Related Deferred Inflows (See Note 6)	**(2,045)**	(402)
State and Local Government Rate Pool Liability (see Note 9)	**(3,344)**	(3,622)
Compensated Absences Liability	**(2,124)**	(2,098)
Faculty Credit Banking Liability (See Note 9)	**(60)**	(103)
Total Unrestricted Net Position	**$ 11,445**	$ 12,171

11. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2019	June 30, 2018
Investment Earnings	**$ 1,432**	$ 1,087
Net Appreciation (Depreciation) of Investments	**1,111**	(534)
Royalties and Technology Transfer Income	**12**	11
Interest Income	**12**	9
Loss on Sale of Investment	**(80)**	(172)
Total Investment Activity	**$ 2,487**	$ 401

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

12. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The following displays operating expenses by both the functional and natural classifications. The reporting of the net pension liability and OPEB asset and liabilities, as required by GASB Statement Nos. 68, 71 and 75, affects the reported compensation and benefit expenses of WOU. For the fiscal year ended June 30, 2019, changes in the pension and OPEB expenses and associated reporting requirements decreased the reported compensation and benefit expenses of WOU by $282. For the fiscal year ended June 30, 2018, changes in the pension and OPEB expenses and associated reporting requirements increased the reported compensation and benefit expenses of WOU by $3,843 The following displays operating expenses by both the functional and natural classifications:

June 30, 2019	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	$ 35,951	$ 3,511	$ 445	$ -	$ 8	**$ 39,915**
Research	595	213	-	1	1	**810**
Public Services	230	122	-	-	8	**360**
Academic Support	7,526	2,719	-	-	-	**10,245**
Student Services	6,187	1,123	69	8	23	**7,410**
Auxiliary Services	10,717	10,404	(21)	2,427	-	**23,527**
Institutional Support	6,721	656	-	-	-	**7,377**
Operation & Maint. of Plant	4,964	407	-	-	-	**5,371**
Student Aid	-	(242)	6,296	-	(47)	**6,007**
Other	1,751	1,196	-	3,935	-	**6,882**
Total	**$ 74,642**	**$ 20,109**	**$ 6,789**	**$ 6,371**	**$ (7)**	**$ 107,904**

June 30, 2018	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 36,659	$ 3,694	$ 493	$ -	$ 6	$ 40,852
Research	753	157	-	1	1	912
Public Services	351	154	-	-	27	532
Academic Support	7,039	3,209	-	-	-	10,248
Student Services	6,475	1,043	65	8	50	7,641
Auxiliary Services	11,116	10,487	(21)	2,643	-	24,225
Institutional Support	6,692	304	-	-	-	6,996
Operation & Maint. Of Plant	5,369	(203)	-	-	-	5,166
Student Aid	-	-	6,538	-	46	6,584
Other	231	790	-	3,903	-	4,924
Total	$ 74,685	$ 19,635	$ 7,075	$ 6,555	$ 130	$ 108,080

13. GOVERNMENT APPROPRIATIONS

WOU receives support from the state in the form of general fund and lottery appropriations. These appropriations are in support of the operations of the university and debt service of SELP loans. Appropriations for SELP debt service are based on the loan agreements between the university and the Oregon Department of Energy. Government appropriations comprised the following:

	June 30, 2019	June 30, 2018
General Fund - Operations	**$ 24,966**	$ 24,124
General Fund - SELP Debt Service	**382**	382
Lottery Funding	**581**	581
Total State Appropriations	**$ 25,929**	$ 25,087

14. EMPLOYEE RETIREMENT PLANS

Western Oregon University offers various retirement plans to qualified employees as described below.

A. PUBLIC EMPLOYEES RETIREMENT PLAN (PERS)

Organization

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

Plan Membership

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

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

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

Pension Plan Report

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

Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

Proportionate Share Allocation Methodology

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

Pension Plan Liability

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

	June 30, 2018	June 30, 2017
Total Pension Liability	**$ 84,476**	$ 79,852
Plan Fiduciary Net Position	**69,327**	66,372
Plan Net Pension Liability	**$ 15,149**	$ 13,480

Changes Subsequent to the Measurement Date

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

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) PENSION (CHAPTER 238) PROGRAM

Pension Benefits

The PERS retirement allowance is payable monthly for life. There are 13 retirement benefit options a retiring employee may select from. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

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

Disability Benefits

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

Benefit Changes After Retirement

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

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

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

Pension Benefits

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP IAP) PENSION PROGRAM

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

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

PENSION PLAN CONTRIBUTIONS

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

Employer contribution rates for the fiscal year ended June 30, 2019 and 2018 were based on the December 31, 2015 actuarial valuation. The employer contribution rates for the PERS and OPSRP are as follows:

	2019	2018
PERS Tiers One/Two	**17.84%**	17.84%
OPSRP	**10.78%**	10.78%

Employer required contributions for the year ended June 30, 2019 and June 30, 2018 were $3,797 and $3,849, respectively, including amounts for OPEB and to fund separately financed employer specific liabilities associated with the SLGRP liability (see Note 15 and Note 9.C for additional information).

NET PENSION LIABILITY

At June 30, 2019, the university reported a liability of $33,824 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2019, was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. At June 30, 2018, the university reported a liability of $35,461 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2018, was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide WOU an audited proportionate share as a separate employer; the university is a proportionate share of PERS employer state agencies which includes all state agencies. The State Department of Administrative Services calculated WOU's proportional share of all state agencies internally based on actual contributions by WOU as compared to the total for employer state agencies. The State Audits Division performed a review of this internal calculation. At June 30, 2019 WOU's proportion was 0.22 percent of the statewide pension plan, and 0.83 percent of employer state agencies. At June 30, 2018 WOU's proportion was 0.26 percent of the statewide pension plan, and 0.96 percent of employer state agencies.

For the year ended June 30, 2019 and 2018, WOU recorded total pension expense of $3,011 and $7,149 respectively, due to the changes in net pension liability, deferred inflows and deferred outflows.

Deferred Items

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

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

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

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

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

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

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

At June 30 2019, WOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,151	$ -
Changes of assumptions	7,864	-
Net difference between projected and actual earnings on pension plan investments	-	1,502
Differences between System's contributions and proportionate share of contributions	69	154
Change in Proportionate Share	631	245
Total	$ 9,715	$ 1,901
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	7,814	
Contributions Subsequent to the MD	3,028	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 10,842	

Of the amount reported as deferred outflows of resources, $3,028 are related to pensions resulting from WOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,715	$ -
Changes of assumptions	6,464	-
Net difference between projected and actual earnings on pension plan investments	365	-
Differences between System's contributions and proportionate share of contributions	45	296
Change in Proportionate Share	1,043	-
Total	$ 9,632	$ 296
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	9,336	
Contributions Subsequent to the MD	3,125	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 12,461	

Of the amount reported as deferred outflows of resources, $3,125 are related to pensions resulting from WOU contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflow/ (Inflow) of Resources
2020	$ 4,377
2021	3,135
2022	(278)
2023	390
2024	190
	$ 7,814

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, 2019 AND 2018 (DOLLARS IN THOUSANDS)

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

<table>
<tr><td colspan="3">Actuarial Methods:</td></tr>
<tr><td>As of:</td><td>June 30, 2019</td><td>June 30, 2018</td></tr>
<tr><td>Valuation Date</td><td>December 31, 2016</td><td>December 31, 2015</td></tr>
<tr><td>Measurement Date</td><td>June 30, 2018</td><td>June 30, 2017</td></tr>
<tr><td>Experience Study Report</td><td>2016, published July 2017</td><td>2014, published September 2015</td></tr>
<tr><td>Actuarial Cost Method</td><td colspan="2">Entry Age Normal</td></tr>
<tr><td colspan="3">Actuarial Assumptions:</td></tr>
<tr><td>Inflation Rate</td><td colspan="2">2.50 percent</td></tr>
<tr><td>Long-Term Expected Rate of Return</td><td>7.20 percent</td><td>7.50 percent</td></tr>
<tr><td>Discount Rate</td><td>7.20 percent</td><td>7.50 percent</td></tr>
<tr><td>Projected Salary Increases</td><td colspan="2">3.50 percent</td></tr>
<tr><td>Cost of Living Adjustments (COLA)</td><td colspan="2">Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service</td></tr>
<tr><td rowspan="6">Mortality</td><td colspan="2">Healthy retirees and beneficiaries:</td></tr>
<tr><td>RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</td><td>RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</td></tr>
<tr><td colspan="2">Active members:</td></tr>
<tr><td>RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</td><td>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</td></tr>
<tr><td colspan="2">Disabled retirees:</td></tr>
<tr><td>RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale</td><td>Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.</td></tr>
</table>

Discount Rate

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

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the university's proportionate share of the net pension asset to changes in the discount rate. The following presents the university's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent as of June 30, 2019 and 7.50 percent as of June 30, 2018, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2019	June 30, 2018
1% Decrease 6.20%/6.50%	**$56,526**	$60,431
Current Discount Rate 7.20%/7.50%	**33,824**	35,461
1% Increase 8.20%/8.50%	**15,085**	14,580

Depletion Date Projection

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

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

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% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience, which might impact the plan's funded position.

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

Assumed Asset Allocation

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

Long-Term Expected Rate of Return

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

The following table shows the long-term expected rate of return by asset class as of June 30, 2019:

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

BOND DEBT

The retirement bond debt service assessment was authorized by the Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the state actuarial pool in November 2003.

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

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal year 2019 was 6.2 percent. The assessment rate for fiscal year 2018 was 6.0 percent through October 31, 2017 and was subsequently increased to 6.2 percent effective November 1, 2017. Payroll assessments for the fiscal years ended June 30, 2019 and 2018 were $1,764 and $1,711, respectively.

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

B. OTHER RETIREMENT PLANS

OPTIONAL RETIREMENT PLAN

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

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service. Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer.

The employer contribution rates for the ORP are as follows:

	2019	2018
Tiers One/Two	**23.68%**	23.68%
Tier Three	**9.29%**	9.29%
Tier Four	**8.00%**	8.00%

OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN

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

SUMMARY OF OTHER PENSION PAYMENTS

WOU's total payroll for the year ended June 30, 2019 was $50,156, of which $12,569 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

June 30, 2019

	Employer Contribution	**As a % of Covered Payroll**	**Employee Contribution**	**As a % of Covered Payroll**
ORP	**$ 1,728**	**13.75%**	**$ 877**	**6.98%**
TIAA	**8**	**0.06%**	**8**	**0.06%**
Total	**$ 1,736**	**13.81%**	**$ 885**	**7.04%**

Of the employee share, WOU paid $786 of the ORP and $8 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2019.

WOU's total payroll for the year ended June 30, 2018 was $47,831, of which $13,963 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by WOU for the fiscal year:

June 30, 2018

	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 1,758	12.59%	$ 818	5.86%
TIAA	7	0.05%	7	0.05%
Total	$ 1,765	12.64%	$ 825	5.91%

Of the employee share, WOU paid $753 of the ORP and $7 of the TIAA employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2018.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. PUBLIC EMPLOYEES RETIREMENT PLANS (PERS)

PLAN DESCRIPTIONS

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

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

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

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

OPEB PLANS REPORT

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF ACCOUNTING

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

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

OPEB PLAN (ASSET)/LIABILITY

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

Net OPEB - RHIA (Asset)	**June 30, 2018**	June 30, 2017
Total OPEB - RHIA Liability	$ 465.2	$ 470.0
Plan Fiduciary Net Position	576.8	511.8
Plan Net OPEB - RHIA (Asset)	**$ (111.6)**	$ (41.8)

Net OPEB - RHIPA Liability	**June 30, 2018**	June 30, 2017
Total OPEB - RHIPA Liability	$ 70.3	$ 70.9
Plan Fiduciary Net Position	35.0	24.3
Plan Net OPEB - RHIA Liability	**$ 35.3**	$ 46.6

CHANGES SUBSEQUENT TO THE MEASUREMENT DATE

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

CONTRIBUTIONS

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

For the fiscal years ended June 30, 2019 and 2018, the university contributed 0.07 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, the university contributed 0.43 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution were approximately $130 and $129 for the years ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

For the fiscal years ended June 30, 2019 and 2018, the university contributed 0.11 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the university contributed 0.38 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution were approximately $120 and $120 for the years ended June 30, 2019 and 2018, respectively. The actual contribution equaled the annual required contribution for the fiscal year.

NET OPEB ASSET – PERS RHIA

At June 30, 2019, the university reported an asset of $290 for its proportionate share of the PERS RHIA net OPEB asset. The net OPEB asset as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. At June 30, 2018, the university reported an asset of $124 for its proportionate share of the PERS RHIA net OPEB asset. The net OPEB asset as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide WOU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PERS employer state agencies. The State Department of Administrative Services (DAS) calculated WOU's proportionate share of all state agencies internally based on actual contributions by WOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019, WOU's proportion was 0.26 percent of the statewide OPEB plan and 0.87 percent of employer state agencies. At June 30, 2018, WOU's proportion was 0.30 percent of the statewide OPEB plan and 0.96 percent of employer state agencies.

For the years ended June 30, 2019 and 2018, WOU recorded total OPEB expense of ($15) and ($9), respectively, due to changes in the net PERS RHIA OPEB asset, deferred outflows and deferred inflows and amortization of previously deferred amounts.

NET OPEB LIABILITY – PERS RHIPA

At June 30, 2019, the university reported a liability of $314 for its proportionate share of the PERS RHIPA net OPEB liability. The net OPEB liability as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. At June 30, 2018, the university reported a liability of $448 for its proportionate share of the PERS RHIPA net OPEB liability. The net OPEB liability as of June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. The PERS system does not provide WOU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PERS employer state agencies. DAS calculated WOU's proportionate share of all state agencies internally based on actual contributions by WOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, WOU's proportion was 0.89 and 0.96 percent, respectively, of the statewide OPEB plan.

For the years ended June 30, 2019 and 2018, WOU recorded total OPEB expense of $5 and $38, respectively, due to changes in the net PERS RHIPA OPEB liability, deferred outflows and deferred inflows and amortization of previously deferred amounts.

DEFERRED ITEMS - RHIA

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018 and 2017, deferred items included:

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

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

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

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

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

At June 30, 2019, WOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference Between Expected and Actual Experience	**$ -**	**$ 16**
Change in Assumptions	**-**	**1**
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	**-**	**63**
Change in Proportion	**3**	**-**
Total	**$ 3**	**$ 80**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	**(77)**	
Contributions Subsequent to the MD	**130**	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ 53**	

Of the amount reported as deferred outflows of resources, $130 are related to contributions subsequent to the measurement date and will be recognized as an increase of the net OPEB asset in the year ended June 30, 2020.

At June 30, 2018, WOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ -	$ 58
Change in Proportion	3	-
Total	$ 3	$ 58
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(55)	
Contributions Subsequent to the MD	129	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 74	

Of the amount reported as deferred outflows of resources, $129 are related to contributions subsequent to the measurement date and are recognized as an increase of the net OPEB asset in the year ended June 30, 2019.

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

	Deferred Outflow/ (Inflow) of Resources
Year Ended June 30:	
2020	$ (25)
2021	(25)
2022	(21)
2023	(6)
	$ (77)

DEFERRED ITEMS - RHIPA

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018 and 2017, deferred items included:

- No difference due to changes in assumptions
- No 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

Differences between expected and actual experience, changes in assumption, 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 each measurement period are as follows:

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

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

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

At June 30, 2019, WOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 24
Change in Assumptions	3	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	5
Total	$ 3	$ 29
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(26)	
Contributions Subsequent to the MD	120	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 94	

Of the amount reported as deferred outflows of resources, $120 are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

At June 30, 2018, WOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ -	$ 5
Total	$ -	$ 5
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(5)	
Contributions Subsequent to the MD	120	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 115	

Of the amount reported as deferred outflows of resources, $120 are related to contributions subsequent to the measurement date and are recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

	Deferred Outflow/ (Inflow) of Resources
Year Ended June 30:	
2020	$ (5)
2021	(5)
2022	(5)
2023	(5)
2024	(3)
2025	(3)
	$ (26)

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, 2019 AND 2018 (DOLLARS IN THOUSANDS)

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

Actuarial Methods and Assumptions:		
	June 30, 2019	**June 30, 2018**
Valuation Date	December 31, 2016	December 31, 2015
Measurement Date	June 30, 2018	June 30, 2017
Experience Study Report	2016, published July 2017	2014, published September 2015
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount Rate	7.20 percent	7.50 percent
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 38%; Disabled retirees: 20%	
Healthcare Cost Trend Rate	Not applicable	
Mortality	*Healthy retirees and beneficiaries:*	
	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.	
	Active members:	
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.	
	Disabled retirees:	
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.	

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

Actuarial Methods and Assumptions:		
	June 30, 2019	**June 30, 2018**
Valuation Date	December 31, 2016	December 31, 2015
Measurement Date	June 30, 2018	June 30, 2017
Experience Study Report	2016, published July 2017	2014, published September 2015
Actuarial Assumptions:		
Actuarial Cost	Entry Age Normal	
Inflation Rate	2.50 percent	
Long-Term Expected Rate of Return	7.20 percent	7.50 percent
Discount Rate	7.20 percent	7.50 percent
Projected Salary Increases	3.50 percent	
Retiree Healthcare Participation	Healthy retirees: 38%; Disabled retirees: 20%	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service.
Healthcare Cost Trend Rate	Applied at beginning of plan year, starting with 6.5% for 2018, decreasing to 5.9% for 2019, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2% for 2093 and beyond.	Applied at beginning of plan year, starting with 6.3% for 2016, decreasing to 5.3% for 2019, increasing to 6.5% for 2029, and decreasing to an ultimate rate of 4.4% for 2094 and beyond.
Mortality	*Healthy retirees and beneficiaries:*	
	RP-2014 Healthy annuitant, sex-distinct, gnerational with Unisex, Social Security Data Scale, with collar adjustments and setpbacks as described in the valuation	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	Active members:	
	RP-2014 Healthy annuitant, sex-distinct, gnerational with Unisex, Social Security Data Scale, with collar adjustments and setpbacks as described in the valuation	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees:	
	RP-2014 Healthy annuitant, sex-distinct, gnerational with Unisex, Social Security Data Scale	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

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

DISCOUNT RATE

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

SENSITIVITY ANALYSIS

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

Discount Rate	RHIA		RHIPA	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
1% Decrease 6.2%/6.5%	**($169)**	$17	**$352**	$496
Current Discount Rate 7.2%/7.5%	**(290)**	(124)	**314**	448
1% Increase 8.2%/8.5%	**(393)**	(244)	**270**	405

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

Healthcare Cost Rate	RHIA		RHIPA	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
1% Decrease	**($290)**	($124)	**$254**	$387
Current Trend Rate	**(290)**	(124)	**314**	448
1% Increase	**(290)**	(124)	**372**	518

ASSUMED ASSET ALLOCATION

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

LONG-TERM EXPECTED RATE OF RETURN

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

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

DEPLETION DATE PROJECTION

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

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

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

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

B. PUBLIC EMPLOYEES' BENEFIT BOARD PLAN (PEBB)

PLAN DESCRIPTION

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

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy".

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employers participating in PEBB are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75.

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

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

TOTAL OPEB LIABILITY

At June 30, 2019, the university reported a liability of $2,047 for its proportionate share of the total PEBB OPEB liability. The total OPEB liability as of June 30, 2019 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018. At June 30, 2018, the university reported a liability of $1,990 for its proportionate share of the total PEBB OPEB liability. The total OPEB liability as of June 30, 2018 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. PEBB does not provide WOU an audited proportionate share as a separate employer; the university is allocated a proportionate share of PEBB employer state agencies. DAS calculated WOU's proportionate share of all state agencies internally based on actual contributions by WOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2019 and 2018, WOU's proportion was 1.27 and 1.34 percent, respectively, of the statewide OPEB plan.

For the years ended June 30, 2019 and 2018, WOU recorded total OPEB expense of $94 and $139, respectively, due to changes in the total OPEB liability, deferred inflows and amortization of previously deferred amounts.

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

DEFERRED ITEMS

Deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2019 and 2018, deferred items included only changes in assumptions.

Changes in assumption are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of each measurement periods ended June 30, 2018 and 2017 was 8.2 years

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ 56	$ 35
Total	$ 56	$ 35
Net Deferred Outflow/(Inflow) of Resources	$ 21	

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ -	$ 43
Total	$ -	$ 43
Net Deferred Outflow/(Inflow) of Resources	$ (43)	

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

Year Ended June 30:	
2020	$ 2
2021	2
2022	2
2023	2
2024	3
Thereafter	10
	$ 21

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

Actuarial Methods and Assumptions:		
Valuation Date	July 1, 2017	July 1, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.50 percent	
Discount Rate	3.50 percent	3.87 percent
Projected Salary Increases	3.50 percent	
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation	
Healthcare Cost Trend Rate	*Medical and vision cost increases:*	
	0.80% in the first year; 5.10% in the second year; 5.30% in the third year; varying from 6.20% to 4.20% over the remainder of the projection period	
	Dental cost changes:	
	decrease 1.10% in the first year; increase 3.10% in the second year; increase 4.00% per year thereafter	
Election and lapse rates	30% of eligible employees	
	60% spouse coverage for males, 35% for females	
	7% annual lapse rate	

DISCOUNT RATE

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

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

SENSITIVITY ANALYSIS

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

Discount Rate	June 30, 2019	June 30, 2018
1% Decrease 2.50%/2.87%	$2,228	$2,165
Current Discount Rate 3.50%/3.87%	2,047	1,990
1% Increase 4.50%/4.87%	1,882	1,829

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 Rate	June 30, 2019	June 30, 2018
1% Decrease	$1,784	$1,753
Current Trend Rate	2,047	1,990
1% Increase	2,364	2,272

16. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which WOU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2019 and 2018 were $1,558 and $1,567, respectively.

17. RISK FINANCING

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

By participating, WOU transfers the following risk to the Trust:

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

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

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

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

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects totaled approximately $21,386 at June 30, 2019. These commitments will be primarily funded from gifts, grants, and university funds.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2019

	Total Commitment	Completed to Date	Outstanding Commitment
Natural Sciences Renovation	$ 10,287	$ 7,766	$ 2,521
ITC Renovation	5,500	268	5,232
OMA Renovation	7,700	528	7,172
Capital Repairs	5,973	878	5,095
Project Budgets <$1M	2,395	1,029	1,366
	$ 31,855	$ 10,469	$ 21,386

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

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. WOU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to WOU cannot be reasonably determined at June 30, 2019.

19. SUBSEQUENT EVENTS

WOU management has reviewed events and transactions that occurred subsequent to the Statement of Net Position date of June 30, 2019, and found none that required adjustment or disclosure in the financial statements.

20. WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of WOU. The WOU Development Foundation is a legally separate, tax-exempt entity with an independent governing board. Although WOU does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of WOU and is discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2019 and 2018. The foundation is audited annually and received an unmodified audit opinion.

During the years ended June 30, 2019 and 2018 gifts of $1,002 and $942, respectively, were transferred from the foundation to WOU.

Please see the financial statements for the WOU component unit on pages 23 and 25 of this report.

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

- *Western Oregon University Foundation, 345 N. Monmouth Ave., Monmouth, OR 97361*

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY CONTRIBUTIONS*
Public Employees Retirement System

For Fiscal Years Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 3,028	$ 3,125	$ 2,362	$ 2,337	$ 1,846	$ 1,807	$ 1,687	$ 1,609
Contributions in Relation to the Contractually Required Contribution	3,028	3,125	2,362	2,337	1,846	1,807	1,687	1,609
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 28,646	$ 28,155	$ 28,527	$ 27,229	$ 25,618	$ 24,368	$ 23,462	$ 22,690
Contributions as a Percentage of Covered Payroll	10.6%	11.1%	8.3%	8.6%	7.2%	7.4%	7.2%	7.1%

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

As of the Measurement Date June 30,	2018	2017	2016	2015	2014
University's Proportion of the Net Pension Asset/(Liability)	0.22%	0.26%	0.26%	0.23%	0.22%
University's Proportionate Share of the Net Pension Asset/(Liability)	$ (33,824)	$ (35,461)	$ (39,513)	$ (13,285)	$ 4,952
University's Covered Payroll	$ 28,155	$ 28,527	$ 27,229	$ 25,618	$ 24,368
University's Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of Covered Payroll	120.1%	124.3%	145.1%	51.9%	20.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/(Liability)	82.1%	83.1%	80.5%	91.9%	103.6%

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contributions[1]	$ 130	$ 129	$ 138	$ 133	$ 138	$ 132	$ 126	$ 123	$ 50	$ 49
Contributions in Relation to the Actuarially Determined Contributions	130	129	138	133	138	132	126	123	50	49
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 28,641	$ 28,150	$ 28,522	$ 27,224	$ 25,614	$ 24,363	$ 22,902	$ 22,168	$ 20,256	$ 19,835
Contributions as a Percentage of Covered Payroll	0.45%	0.46%	0.48%	0.49%	0.54%	0.54%	0.55%	0.55%	0.25%	0.25%

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

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

As of the Measurement Date June 30,	2018	2017	2016
University's Allocation of the Net RHIA OPEB Asset/(Liability)	0.26%	0.30%	0.29%
University's Proportionate Share of the Net RHIA OPEB Asset/(Liability)	$ 290	$ 124	$ (79)
University's Covered Payroll	$ 28,150	$ 28,522	$ 27,224
University's Proportionate Share of the Net RHIA OPEB Asset/(Liability) as a Percentage of Covered Payroll	1.03%	0.43%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total RHIA OPEB Asset/(Liability)	123.99%	108.88%	94.15%

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

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contributions[1]	$ 120	$ 120	$ 111	$ 107	$ 60	$ 58	$ 32	$ 31	$ 11	$ 11
Contributions in Relation to the Actuarially Determined Contributions	120	120	111	107	60	58	32	31	11	11
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 28,641	$ 28,150	$ 28,522	$ 27,224	$ 25,614	$ 24,363	$ 22,902	$ 22,168	$ 20,256	$ 19,835
Contributions as a Percentage of Covered Payroll	0.42%	0.43%	0.39%	0.39%	0.23%	0.24%	0.14%	0.14%	0.05%	0.06%

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

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

As of the Measurement Date June 30,	2018	2017	2016
University's Allocation of the Net RHIPA OPEB Asset/(Liability)	0.89%	0.96%	0.98%
University's Proportionate Share of the Net RHIPA OPEB Asset/(Liability)	$ (314)	$ (448)	$ (527)
University's Covered Payroll	$ 28,150	$ 28,522	$ 27,224
University's Proportionate Share of the Net RHIPA OPEB Asset/(Liability) as a Percentage of Covered Payroll	1.12%	1.57%	1.94%
Plan Fiduciary Net Position as a Percentage of the Total RHIPA OPEB Asset/(Liability)	49.79%	34.25%	21.87%

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

As of June 30,	**2019**	**2018**	**2017**
University's Allocation of the Total OPEB Liability	1.27%	1.34%	1.38%
University's Proportionate Share of the Total OPEB Liability	$ 2,047	$ 1,990	$ 1,993
University's Covered Payroll	$ 39,703	$ 38,966	$ 38,929
University's Proportionate Share of the Total OPEB Liability as a Percentage of University Covered Payroll	5.16%	5.11%	5.12%
Total OPEB Liability as a % of Total Covered Payroll	4.31%	4.42%	4.45%

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for the purpose of paying benefits.

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

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

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