UNIVERSITY OF OREGON

2018 ANNUAL FINANCIAL REPORT

University of Oregon
2018 Annual Report

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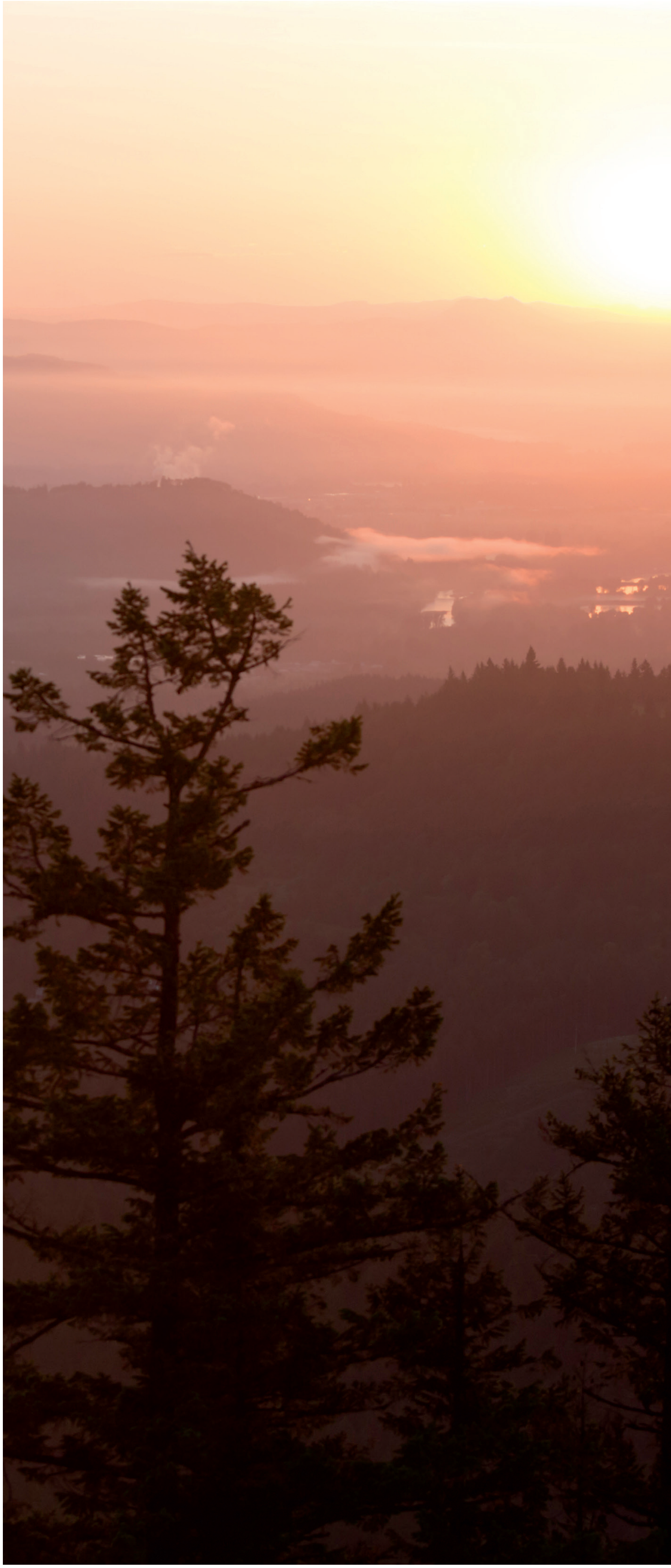


Founded in 1876 in Eugene, the University of Oregon (UO) is the state's flagship public research institution. The 295-acre campus houses 82 buildings, including two museums—the Jordan Schnitzer Museum of Art and the Museum of Natural and Cultural History—more than 25 research centers and institutes, and nine schools and colleges, including College of Arts and Sciences, Charles H. Lundquist College of Business, College of Education, Robert D. Clark Honors College, College of Design, School of Journalism and Communication, School of Music and Dance, School of Law, and the Graduate School.

The UO is one of just 62 schools with membership in the prestigious Association of American Universities—and is the only member in Oregon. Within its schools and departments, the UO offers more than 300 academic programs, 77 undergraduate majors, 93 graduate and professional majors, and 298 study-abroad programs in 67 countries.

The Oregon Institute of Marine Biology (OIMB) in Charleston is a living classroom where undergraduate and graduate students studying biology, marine biology, general science, and environmental science experience marine organisms in their natural habitats.

Perched on a remote mountaintop 6,300 feet above sea level in central Oregon, the Pine Mountain Observatory is ideal for observing the high desert's night skies. The observatory, which is operated by the UO's Department of Physics, provides basic and advanced scientific research opportunities.

Students at UO Portland are working toward master's degrees in architecture, historic preservation, strategic communication, business administration, sports product management, multimedia journalism, and JD in law. Fifth-year programs are also offered in product design and digital arts, as well as courses geared to professional continuing education.

The UO is also home to Matthew Knight Arena and Autzen Stadium, where it ostensibly "never rains." In addition to its storied football program and reputation as Track Town USA, university Ducks teams include men's baseball, basketball, cross country, football, golf, tennis, and track and field. Women's sports teams include acrobatics and tumbling, basketball, beach volleyball, cross country, golf, lacrosse, soccer, softball, tennis, track and field, and volleyball. Clubs devoted to sports include everything from badminton to wushu.

Mission

Serving students, the state, nation, and world since 1876

The University of Oregon is a comprehensive public research university committed to exceptional teaching, discovery, and service. We work at a human scale to generate big ideas. As a community of scholars, we help individuals question critically, think logically, reason effectively, communicate clearly, act creatively, and live ethically.

Purpose

We strive for excellence in teaching, research, artistic expression, and the generation, dissemination, preservation, and application of knowledge. We are devoted to educating the whole person, and to fostering the next generation of transformational leaders and informed participants in the global community. Through these pursuits, we enhance the social, cultural, physical, and economic wellbeing of our students, Oregon, the nation, and the world.

Vision

We aspire to be a preeminent and innovative public research university encompassing the humanities and arts, the natural and social sciences, and the professions. We seek to enrich the human condition through collaboration, teaching, mentoring, scholarship, experiential learning, creative inquiry, scientific discovery, outreach, and public service.

Values

We value the passions, aspirations, individuality, and success of the students, faculty, and staff who work and learn here. We value academic freedom, creative expression, and intellectual discourse. We value our diversity and seek to foster equity and inclusion in a welcoming, safe, and respectful community. We value the unique geography, history, and culture of Oregon that shapes our identity and spirit. We value our shared charge to steward resources sustainably and responsibly.

Notable UO achievements for the 2017-18 school year

- The UO welcomed 22,980 students in the fall of 2017. Of these, 51% were Oregonians, 37% came from other states, 12% came from other countries, and 26.8% were students of color. 63% of the student body received some form of financial assistance.
- Fueled by new hiring initiatives, the UO's faculty earned $121.9 million in competitive research awards in 2017–18, an increase of more than 5%. Highlights include a five-year, $9.6 million grant from the National Institutes of Health to the UO's Zebrafish International Resource Center.
- Among hundreds of research advances achieved during fiscal year 2018 were: the start of clinical trials for a new anti-inflammatory drug developed at the UO; discovery of a way to predict shifts in watersheds as the climate changes; work with OHSU involving the use of brain scans to uncover signs of autism and developmental delays; new clues that could help fight cholera; a new window on meltwater from icebergs; and the launch of a project to gather live data about earthquake-related landslides.
- The UO's fundraising campaign reached an unprecedented $1.84 billion and the university's endowment grew to $900 million as of the close of fiscal year 2018.
- President Michael Schill launched the academic year with news that a $50 million anonymous gift will be dedicated to investing in academic excellence. So far, it is funding five new initiatives: data science; the Oregon Research Schools Network; the Media Center for Science and Technology; matching funds to endow faculty chairs; and programs for the new Black Cultural Center when it opens in 2019.
- The $1 billion Phil and Penny Knight Campus for Accelerating Scientific Impact began taking shape with selection of architects, finalization of designs, the breaking of ground for the first building, and the appointment of Robert Guldberg as the first Robert and Leona DeArmond Executive Director.
- The main campus celebrated the groundbreaking for Tykeson Hall, marked the opening of Kalapuya Ilihi residence hall, and completed renovations to Chapman Hall (home of the Clark Honors College) and the first phase of improvements to Pacific Hall.
- Workers dismantled Hayward Field and began building what observers say will be the world's finest track and field facility on the hallowed site. Private gifts cover almost 100% of the project, scheduled for completion in 2020.
- The Chronicle of Higher Education featured UO student orientation programs in a story highlighting innovative ways universities are serving students and their families. Not ready to rest on its laurels, the UO's enrollment management team rolled out UO 360, a virtual trip to campus from anywhere. The UO also became the first public university on the West Coast to accept the Common Application, a form that makes it easier for students to apply for university admission.
- UO leaders recruited Gabe Paquette as dean of the Robert. D. Clark Honors College and Julia Pomerenk as assistant vice president and university registrar.
- The Museum of Natural and Cultural History received the nation's highest honor for museums and libraries, the 2018 National Medal for Museum and Library Service.
- The UO Libraries and the UO's Jordan Schnitzer Museum of Art received a $300,000 grant from the Andrew W. Mellon Foundation to support enhanced collaboration and encourage increased use of their assets in research, teaching, and learning.
- In athletics, the women of Oregon dominated across the board, with the hoops team going back to the Elite Eight and the softball team returning to the Women's College World Series. Cross country, indoor track and field, and outdoor track and field all finished in the top 10 nationally, and volleyball, tennis, and golf also advanced to NCAA championship events.

Report of Independent Auditors

Members of the Board of Trustees
University of Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Oregon ("UO"), and its discretely presented component unit, the University of Oregon Foundation ("the Foundation"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise UO'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 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 of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of UO and its discretely presented component unit, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

In the year ended June 30, 2018, the UO adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, GASB Statement 75 requires disclosure of information related to OPEB. As discussed in Note 2 to the financial statements, the adoption of GASB Statement 75 resulted in the restatement of beginning net position. Our opinions are 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 on pages 8 through 14, and the schedule of UO's proportionate share of net pension liability – PERS, UO contributions – PERS, UO's Proportionate Share of Total and Net OPEB Liabilities, and UO Contributions - OPEB on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UO's basic financial statements. The UO Board of Trustees and Executive Officers section and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The UO Board of Trustees and Executive Officers section on page 1 and the other information on pages 2 through 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

MOSSADAMS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of UO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UO'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 UO's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
October 31, 2018

For the Year Ended June 30, 2018 (dollars in thousands)

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Oregon for the fiscal years ended June 30, 2018, 2017, and 2016. The UO's primary campus is in Eugene, but programs are also offered in Portland, at the Oregon Institute of Marine Biology in Charleston, and at the Pine Mountain Observatory outside of Bend, all in the state of Oregon.

Annual Full Time Equivalent (FTE) Student Enrollment Summary

	2018	2017	2016	2015	2014
Annual FTE	**22,964**	23,358	23,596	23,728	24,268

Understanding the Financial Statements

The MD&A is intended to foster a greater understanding of the UO's financial activities and net position. Because this presentation includes summarized formats, it should be read in conjunction with the financial statements, which have the following seven components:

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

Statement of Net Position (SNP) presents a snapshot of UO assets, deferred outflows, liabilities, deferred inflows, and net position under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much the UO owes to vendors and bondholders, and net position categorized by its status as restricted or unrestricted. Changes in net position that occur over time indicate improvement or decline in UO's financial condition.

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

Statement of Cash Flows (SCF) provides information about the UO'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 the UO 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, comprising a supporting foundation, the University of Oregon Foundation, is discretely presented in the UO financial statements and in Notes 3 and 18.

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

Statement of Net Position

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

Condensed Statement of Net Position

As of June 30,	**2018**	2017	2016
Assets:			
Current Assets	**$ 285,087**	$ 321,703	$ 403,216
Noncurrent Assets	**240,081**	151,767	76,557
Capital Assets, Net	**1,517,455**	1,478,446	1,406,449
Total Assets	**$ 2,042,623**	$ 1,951,916	$ 1,886,222
Deferred Ouflows of Resources	**$ 112,209**	$ 154,389	$ 24,615
Total Assets and Deferred Outflows of Resources	**$ 2,154,832**	$ 2,106,305	$ 1,910,837
Liabilities:			
Current Liabilities	**$ 206,804**	$ 202,110	$ 176,344
Noncurrent Liabilities	**1,095,192**	1,029,169	870,964
Total Liabilities	**$ 1,301,996**	$ 1,231,279	$ 1,047,308
Deferred Inflows of Resources	**$ 3,286**	$ 2,720	$ 23,122
Net Investment in Capital Assets	**$ 797,111**	$ 787,970	$ 761,354
Restricted - Expendable	**87,799**	76,196	55,602
Unrestricted	**(35,360)**	8,140	23,451
Total Net Position	**$ 849,550**	$ 872,306	$ 840,407
Total Liabilities, Deferred Inflows, and Net Position	**$ 2,154,832**	$ 2,106,305	$ 1,910,837

Total Assets and Liabilities

Total assets increased $90,707, or 5 percent, and total liabilities increased $70,717, or 6 percent, during fiscal year 2018. Total assets increased $65,694, or 3 percent, and total liabilities increased $183,971, or 18 percent, during fiscal year 2017. Current assets exceed current liabilities.

Comparison of fiscal year 2018 to fiscal year 2017

- Current assets decreased $36,616, or 11 percent. Current cash and cash equivalents decreased $41,768, or 18 percent, due to the conversion of cash to investments prior to June 30, 2018. This was offset by an increase in collateral from securities lending of $2,600, or 139 percent, and an increase in accounts receivable of $2,699, or 4 percent.

- **Noncurrent assets,** excluding capital assets, increased $88,314, or 58 percent. Noncurrent cash and cash equivalents (cash reserved for capital projects) increased by $27,489, or 47 percent, and investments increased by $59,550, or 78 percent, due to the conversion of some cash to investments (as described above) and increases to market value of the investments.

- **Capital assets, net** increased $39,009, or 3 percent. Capitalized acquisitions, net of disposals and adjustments, included $83,456 in real property and $6,216 in personal property. Increases in real property through acquisitions or construction, included $22,228 for Bean Hall renovations, $15,047 for the Knight Campus for Accelerating Scientific Impact, $16,475 for Pacific Hall remodel, $9,788 for Tykeson Hall construction, $8,284 for Oregon Hall renovations, and $5,879 for Chapman Hall remodel. Accumulated depreciation increased by $50,664 or 7 percent. See "Capital Assets" in this MD&A for additional information relating to these variances.

- **Current liabilities** increased $4,694, or 2 percent, due to an increase in accounts payable and the current portion of long-term liabilities. This was partially offset by a decrease in unearned revenues.

- **Noncurrent liabilities** increased $66,023, or 6 percent. Refer to Note 10.A. Long-Term Liabilities, Agreement for Debt Management (ADM) for additional information relating to these variances.

- **Deferred outflows** decreased by $42,180, or 27 percent, and **deferred inflows** increased by $566, or 21 percent, primarily due to the impacts of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Refer to Notes 13. Employee Retirement Plans, 14. Other Postemployment Benefits, and the Required Supplementary Information for additional information.

Comparison of fiscal year 2017 to fiscal year 2016

- **Current assets** decreased $81,513, or 20 percent. Current cash and cash equivalents decreased $77,357, or 25 percent, due to the conversion of cash to investments prior to June 30, 2017. Collateral from securities lending decreased by $9,540, or 84 percent. This was offset by an increase in accounts receivable of $4,681, or 7 percent.

- **Noncurrent assets,** excluding capital assets, increased $75,210, or 98 percent. Noncurrent cash and cash equivalents (cash reserved for capital projects) increased by $26,943, or 86 percent, and investments increased by $47,975, or 169 percent, due to the conversion of some cash to investments, as described above.

- **Capital assets, net** increased $71,997, or 5 percent. Capitalized acquisitions, net of disposals and adjustments, included $120,106 in real property and $10,291 in personal property. Real property acquisitions included $31,675 for a new residence hall, $24,796 for the Marcus Mariota Sports Performance Center, and $7,673 for Berwick Hall, the new home of the Oregon Bach Festival. Accumulated depreciation increased by $58,400 or 8 percent. See "Capital Assets" in this MD&A for additional information relating to these variances.

- **Current liabilities** increased $25,766, or 15 percent, due to an increase in the current portion of long-term liabilities.

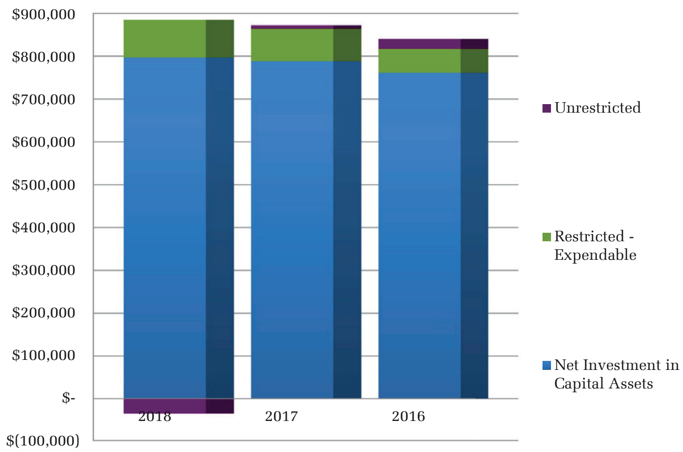
- **Noncurrent liabilities** increased $158,205, or 18 percent. An increase of $191,275, due to the impact of recording the increase in the UO's share of the net pension liability, was offset by a decrease in long-term liabilities of $33,070. This decrease was due to principal payments made on long-term obligations, and the remainder was related to an increase in capital leases. Refer to Note 10.A. Long-Term Liabilities, Agreement for Debt Management (ADM) for additional information relating to these variances.

- **Deferred outflows** increased by $129,774, or 527 percent, and **deferred inflows** decreased by $20,402, or 88 percent, mainly due to the impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*. Refer to Note 13. Employee Retirement Plans and the Required Supplementary Information for additional information.

For the Year Ended June 30, 2018 (dollars in thousands)

Total Net Position

As illustrated by the following graph, the makeup of net position changed between fiscal years 2018, 2017, and 2016.



Comparison of fiscal year 2018 to fiscal year 2017

- **Net investment in capital assets** increased $9,141 or 1 percent.
- **Restricted expendable net assets** increased by $11,603, or 15 percent. Net assets relating to the funding of capital projects increased by $6,661, or 15 percent, as a result of a number of new construction and improvement projects in fiscal year 2018.
- **Unrestricted net assets** decreased $43,500, or 534 percent primarily due to the impact of GASB 68 and implementation of GASB 75.

Comparison of fiscal year 2017 to fiscal year 2016

- **Net investment in capital assets** increased $26,616, or 3 percent. Net capital asset increases of $71,997 were offset predominantly by a utilization of bond proceeds of $45,381.
- **Restricted expendable net assets** increased by $20,594, or 37 percent. Net assets relating to the funding of capital projects increased by $16,370, or 61 percent, as a result of a number of new construction and improvement projects in fiscal year 2017.
- **Unrestricted net assets** decreased $15,311, or 65 percent. A decrease due to the impact of GASB 68 was partially offset by an increase in other unrestricted assets.

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

Due to the classification of certain revenues as nonoperating revenue, the UO shows a net operating loss. State general fund appropriations, nonexchange grants, and noncapital 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 the UO:

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

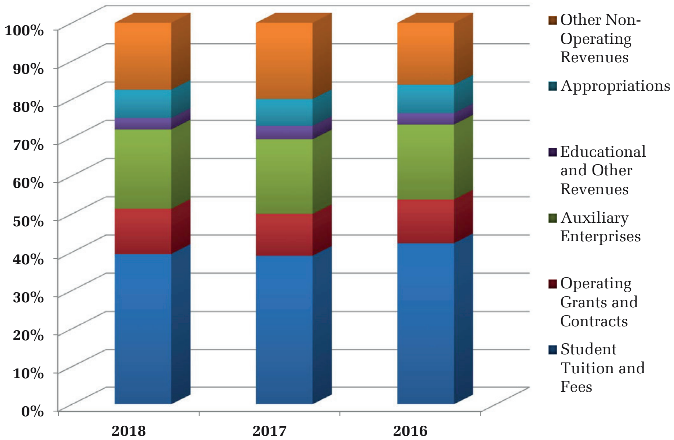
For the Year Ended June 30,	2018	2017	2016
Operating Revenues	$ 740,103	$ 713,691	$ 682,882
Operating Expenses	955,367	920,938	910,668
Operating Loss	(215,264)	(207,247)	(227,786)
Nonoperating Revenues, Net of Expenses	158,757	161,034	138,813
Capital Additions	48,355	78,112	40,718
Increase (Decrease) in Net Position	(8,152)	31,899	(48,255)
Net Position, Beginning of Year	872,306	840,407	888,662
Adjustments to Beginning Net Position	(14,604)		
Beginning Balance (Restated)	857,702		
Net Position, End of Year	$ 849,550	$ 872,306	$ 840,407

For fiscal year 2018, net position decreased by $22,756, or 3 percent, to $849,550. For fiscal year 2017, net position increased by $31,899, or 4 percent, to $872,306.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2018	2017	2016
Student Tuition and Fees (net)	$ 389,405	$ 381,434	$ 378,536
Grants and Contracts	116,322	106,913	102,544
Auxiliary Enterprises (net)	204,650	190,759	174,989
Educational and Other	29,726	34,585	26,813
Total Operating Revenues	740,103	713,691	682,882
Appropriations	72,698	68,532	66,562
Financial Aid Grants	32,348	31,576	31,869
Investment Activity	21,913	16,154	15,989
Capital Grants and Gifts	46,383	76,095	38,701
Other Nonoperating Items	72,116	71,108	58,347
Total Nonoperating Revenues	245,458	263,465	211,468
Total Revenues	$ 985,561	$ 977,156	$ 894,350

Total Operating and Nonoperating Revenues



Revenues

Operating Revenues

Operating revenues increased $26,412, or 4 percent, to $740,103 in fiscal year 2018 as compared to fiscal year 2017. The 2018 change was due to an increase in auxiliary enterprises, grants and contracts, and educational and other revenues. Operating revenues increased $30,809, or 5 percent, to $713,691 in fiscal year 2017 as compared to fiscal year 2016. The 2017 change was due to increases in auxiliary enterprises and educational and other revenues.

Comparison of fiscal year 2018 to fiscal year 2017

Student tuition and fees net of allowances increased $7,971, or 2 percent. Resident undergraduate tuition increased by $4,611, or 5 percent. Nonresident undergraduate tuition increased by $4,004, or 1 percent. These increases were partially offset by an increase in allowances.

Total grants and contracts (federal, state and local, and nongovernmental) increased $9,409 or 9 percent. Federal grants and contracts increased by $6,502, or 8 percent, state and local grants and contracts increased by $267, or 10 percent, and nongovernmental grants and contracts increased by $2,640, or 15 percent.

Auxiliary enterprises revenues increased $13,891, or 7 percent. Athletics revenues increased by $5,545, housing revenues increased by $4,571 and health services increased by $1,550. These increases were offset by decreases in other auxiliaries.

Educational and other revenues decreased by $4,859, or 14 percent.

Comparison of fiscal year 2017 to fiscal year 2016

Student tuition and fees increased $2,898, or 1 percent. Resident undergraduate tuition increased by $2,780, or 3 percent. Nonresident undergraduate tuition increased by $8,082, or 3 percent. These increases were partially offset by an increase in allowances.

Total grants and contracts (federal, state and local, and nongovernmental) increased $4,369 or 4 percent, but the mix between sources changed. Nongovernmental grants and contracts increased by $11,661, or 197 percent, and was offset by a decrease in federal grants and contracts of $6,089, or 7 percent, as well as a drop in state and local grants and contracts of $1,203, or 30 percent.

Auxiliary enterprises revenues increased $15,770, or 9 percent. The implementation of a new student health insurance program in fiscal year 2017 increased health center revenues by $6,171. Athletics revenues increased by $7,796, and EMU revenues increased by $2,905. These increases were offset by decreases in various other areas.

Educational and other revenues increased by $7,772, or 29 percent, due to a one time settlement.

Nonoperating Revenues

Comparison of fiscal year 2018 to fiscal year 2017

Capital grants and gifts decreased $29,712, or 39 percent. This was primarily due to a one-time individual building donation in 2017.

Comparison of fiscal year 2017 to fiscal year 2016

Capital grants and gifts increased $37,394, or 97 percent, primarily due to a one-time individual donation.

Other nonoperating items increased $12,761, or 22 percent, of which $5,268 was an increase in gifts. The remaining difference was attributable to a one-time non-cash adjustment to the state note payable in fiscal year 2016.

For the Year Ended June 30, 2018 (dollars in thousands)

Expenses

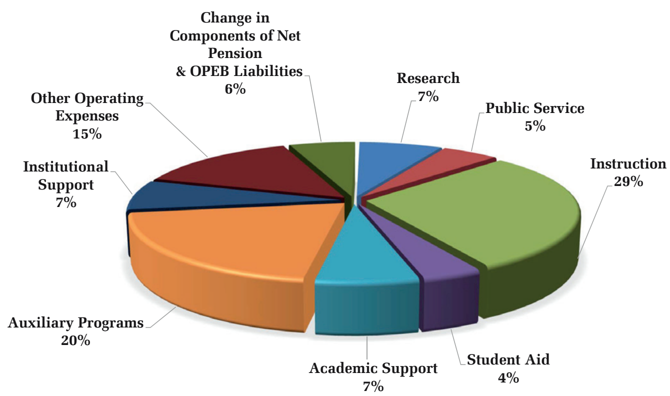
Operating Expenses

Operating expenses increased $34,429, or 4 percent, to $955,367 in fiscal year 2018 as compared to fiscal year 2017. A $14,551 increase in the change in the components of net pension & other postemployment benefits (OPEB) liabilities, from $41,084 in fiscal year 2017 to $55,635 in fiscal year 2018, along with smaller increases in most other categories, were offset by a decrease in auxiliary programs expense of $7,612 or 4 percent, and other operating expenses. Operating expenses increased $10,270, or 1 percent, to $920,938 in fiscal year 2017 as compared to fiscal year 2016. A $31,559 decrease in the change in the components of net pension liability, from $72,643 in fiscal year 2016 to $41,084 in fiscal year 2017 was offset by an increase in auxiliary programs expense of $28,911 or 17 percent, and smaller increases in most of the other expense categories.

Operating Expense by Function

For the Year Ended June 30,	2018	2017	2016
Instruction	$ 279,573	$ 274,772	$ 274,697
Auxiliary Programs	192,529	200,141	171,230
Research	70,233	66,711	62,277
Institutional Support	69,856	67,894	64,157
Academic Support	63,995	59,242	56,810
Public Service	47,680	43,282	42,035
Student Aid	37,677	34,433	36,710
Other Operating Expenses	138,189	133,379	130,109
Change in Components of Net Pension & OPEB Liabilities	55,635	41,084	72,643
Total Operating Expenses	$ 955,367	$ 920,938	$ 910,668

2018 Operating Expense by Function



The UO has chosen to isolate the effects of GASB 68 and GASB 75 in a single line item on the SRE. The following shows the effect on operating expenses across the functional classifications:

For the Year Ended June 30,	2018 as shown on the SRE	GASB 68 effect	GASB 75 effect	2018 with GASB effect allocated
Instruction	$ 279,573	$ 22,995	$ (488)	$ 302,080
Auxiliary Programs	192,529	9,267	(235)	$ 201,561
Research	70,233	4,249	(103)	$ 74,379
Institutional Support	69,856	6,489	(168)	$ 76,177
Academic Support	63,995	4,847	(130)	$ 68,712
Public Service	47,680	2,601	(84)	$ 50,197
Student Aid	37,677	1	-	$ 37,678
Other Operating Expenses	138,189	6,619	(225)	$ 144,583
Change in Components of Net Pension & OPEB Liabilities	55,635	(57,068)	1,433	$ -
Total Operating Expenses	$ 955,367	$ -	$ -	$ 955,367

For the Year Ended June 30,	2017 as shown on the SRE	GASB 68 effect	2017 with GASB 68 effect allocated
Instruction	$ 274,772	$ 13,836	$ 288,608
Auxiliary Programs	200,141	6,535	206,676
Research	66,711	3,013	69,724
Institutional Support	67,894	5,250	73,144
Academic Support	59,242	4,034	63,276
Public Service	43,282	2,413	45,695
Student Aid	34,433	-	34,433
Other Operating Expenses	133,379	6,003	139,382
Change in Components of Net Pension & OPEB Liabilities	41,084	(41,084)	$ -
Total Operating Expenses	$ 920,938	$ -	$ 920,938

For the Year Ended June 30,	2016 as shown on the SRE	GASB 68 effect	2016 with GASB 68 effect allocated
Instruction	$ 274,697	$ 25,275	$ 299,972
Auxiliary Programs	171,230	11,570	182,800
Research	62,277	5,074	67,351
Institutional Support	64,157	8,763	72,920
Academic Support	56,810	6,747	63,557
Public Service	42,035	4,186	46,221
Student Aid	36,710	-	36,710
Other Operating Expenses	130,109	11,028	141,137
Change in Components of Net Pension & OPEB Liabilities	72,643	(72,643)	$ -
Total Operating Expenses	$ 910,668	$ -	$ 910,668

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

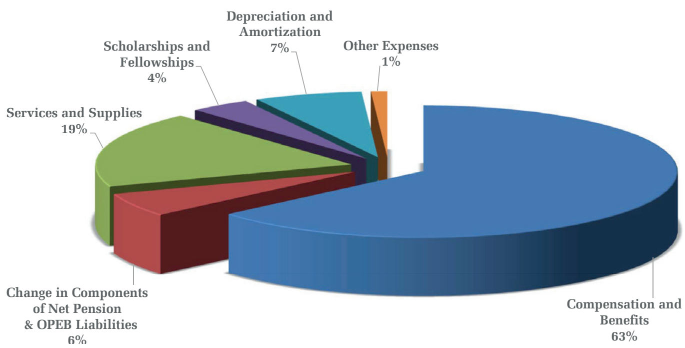
The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2018	2017	2016
Compensation and Benefits	$ 608,875	$ 602,594	$ 576,567
Change in Components of Net Pension & OPEB Liabilities	55,635	41,084	72,643
Services and Supplies	179,258	171,873	157,898
Scholarships and Fellowships	36,420	33,675	36,737
Depreciation and Amortization	65,351	62,155	57,370
Other Expenses	9,828	9,557	9,453
Total Operating Expenses	$ 955,367	$ 920,938	$ 910,668

For the Year Ended June 30, 2018 (dollars in thousands)

2018 Operating Expenses by Natural Classification



Comparison of fiscal year 2018 to fiscal year 2017

Compensation and benefits costs increased $6,281, or 1 percent.

Change in components of net pension & OPEB liabilities increased $14,551, or 35 percent, due to the annual change in state pension and OPEB obligations.

Services and supplies expense increased $7,385, or 4 percent. Increased payments to subgrantees of $3,411 and a $3,144 increase in items for resale make up the majority of the increase.

Scholarships and fellowships expenses increased $2,745, or 8 percent. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and amortization increased $3,197, or 5 percent, due to the impact of new buildings placed in service in fiscal year 2018.

Comparison of fiscal year 2017 to fiscal year 2016

Compensation and benefits costs increased $26,026, or 5 percent, due to the following:

- Increased FTE and higher average salaries resulted in higher wage costs in unclassified, classified, and graduate teaching fellow employee categories (approximately $10,173, or 3 percent).
- Other payroll expenses, which include retirement, health insurance, and employee termination agreements, increased by approximately $14,948, or 8 percent.

Change in components of net pension liability decreased $31,559, or 43 percent, due to the annual change in state pension obligations.

Services and supplies expense increased $13,974, or 9 percent. $2,962 of this increase was related to the implementation of the UO student health insurance program in fiscal year 2017. In addition, supplies expense increased $3,362, or 11 percent, and travel increased $2,190, or 13 percent. The remaining difference was comprised of increases in the following categories: conferences, fees & services, maintenance and repairs, rentals, and utilities.

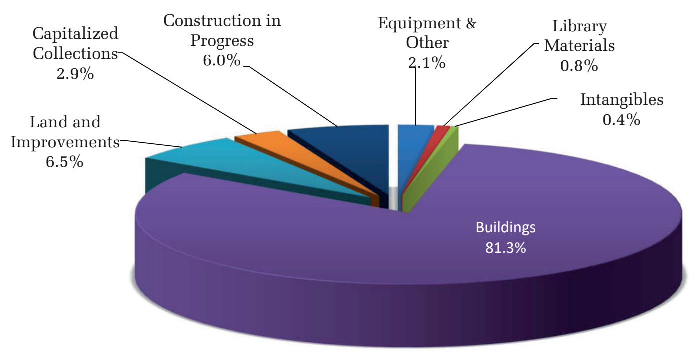
Scholarships and fellowships expenses decreased $3,062, or 8 percent. This expense category does not include fee remissions, which are reported as reductions to student tuition and fee revenues.

Depreciation and amortization increased $4,785, or 8 percent, due to the impact of new buildings placed in service in fiscal year 2017.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2018, the UO had $2,321,395 in capital assets, less accumulated depreciation of $803,940, for net capital assets of $1,517,455. During fiscal year 2018, $88,874 in construction projects were completed and placed into service, compared to $163,860 in fiscal year 2017. The UO is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing the UO's deferred maintenance backlog. State, federal, private, debt, and internal UO funding were all used to accomplish the UO's capital objectives.



Changes to Capital Assets

	2018	2017	2016
Capital Assets, Beginning of Year	**$ 2,231,723**	$ 2,101,324	$ 1,935,835
Add: Purchases/Construction	**110,240**	134,351	174,737
Less: Retirements/Disposals/Adjustments	**(20,569)**	(3,952)	(9,247)
Total Capital Assets, End of Year	**2,321,395**	2,231,723	2,101,324
Accum. Depreciation, Beginning of Year	**(753,276)**	(694,876)	(643,442)
Add: Depreciation Expense	**(65,351)**	(62,155)	(57,370)
Less: Retirements/Disposals/Adjustments	**14,688**	3,755	5,936
Total Accum. Depreciation, End of Year	**(803,940)**	(753,276)	(694,876)
Total Capital Assets, Net, End of Year	**$ 1,517,455**	$ 1,478,447	$ 1,406,448

Capital additions totaled $110,240 for fiscal year 2018, $134,351 for fiscal year 2017, and $174,737 for fiscal year 2016.

Accumulated depreciation at June 30, 2018, increased $50,664, or 7 percent, which represented $65,351 in depreciation and amortization expense offset by $14,688 in asset retirements and adjustments. Accumulated depreciation at June 30, 2017, increased $58,400, or 8 percent, which represented $62,155 in depreciation and amortization expense offset by $3,755 in asset retirements and adjustments.

Capital Commitments

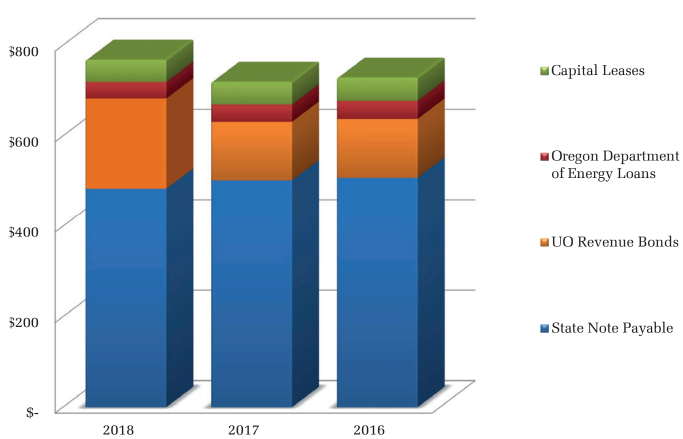
Outstanding commitments on construction projects that are in the planning phase but not yet initiated, as well as partially-completed construction projects authorized by the Oregon legislature and/or the Board of Trustees, totaled approximately $313,995 and $244,250, at June 30, 2018 and 2017, respectively.

See Note 16. Commitments and Contingent Liabilities for additional information relating to capital construction commitments.

Debt Administration

During fiscal year 2018, the UO received $70,693 due to the issuance of revenue bonds, for which the Moody's bond rating was Aa2. During fiscal year 2016, the UO received $72,285 due to the issuance of revenue bonds, for which the Moody's bond rating was Aa2. The proceeds of both issuances were earmarked for construction and acquisition of capital assets.

Long-Term Debt



Economic Outlook

Funding for the major activities of the UO comes from a variety of sources, including tuition and fees, financial aid programs, 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.

Overall, Oregon's revenue outlook continues to be healthy and the economy enjoys sustained expansion. However, more than two decades of underinvestment in Oregon public higher education, combined with large, state-mandated cost increases have created challenges in fully achieving the UO's mission of excellence in access, academia, research, and service. Fortunately, this trend has begun to reverse. In the fiscal years 2015 and 2017 legislative sessions, increased investment improved Oregon's national ranking for educational appropriations per student. In 2015, Oregon ranked 47th in the nation. In 2016, that ranking improved to 37th, and the most recent data in 2017 shifts Oregon down one spot to 38th. In the fiscal year 2017 legislative session, biennial state operating funding to the seven public universities in Oregon that used to comprise the Oregon University System increased by $72 million or 10.8 percent. These funds ensured that previously proposed large resident tuition increases were partially mitigated at the UO for the 2017-18 academic year. Nevertheless, mandated cost drivers will continue to test the UO's ability to balance its budget without cuts to staffing and services for students and/or significant tuition increases.

Oregon's public universities have achieved substantial progress in securing capital appropriations for new and deferred maintenance infrastructure projects, including $70 million in general obligation bonds for the Phil and Penny Knight Campus for Accelerating Scientific Impact, a critical regional research and economic development project. It is expected, however, that state bonding capacity allocated to public universities will come under scrutiny in the coming years.

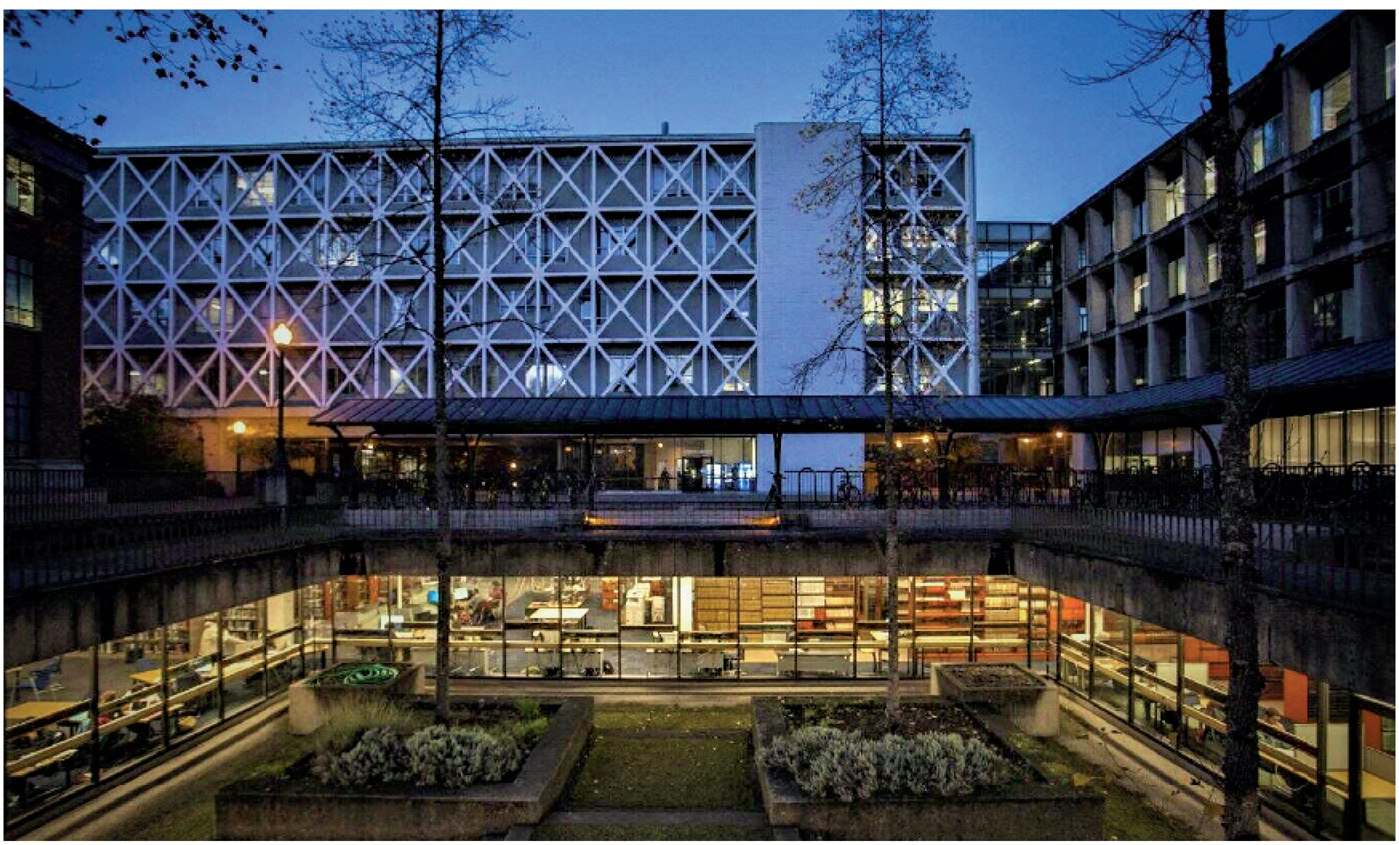
In a new era of institutional governance, financial reinvestment, and inter-institutional collaboration, the UO remains committed to meeting the challenges ahead, ensuring the institution's long-term financial health, and carrying out its core mission of providing an affordable and excellent education for all students.

As of June 30,		University 2018		2017
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	**192,556**	$	234,324
Collateral from Securities Lending		**4,477**		1,877
Accounts Receivable, Net		**71,414**		68,715
Notes Receivable, Net		**4,305**		4,410
Inventories		**4,392**		4,160
Prepaid Expenses		**7,943**		8,217
Total Current Assets		**285,087**		321,703
Noncurrent Assets				
Cash and Cash Equivalents		**85,763**		58,274
Investments		**135,907**		76,357
Notes Receivable, Net		**17,367**		17,136
Net OPEB Asset		**1,044**		-
Non-Depreciable Capital Assets		**196,257**		185,903
Capital Assets, Net of Accumulated Depreciation		**1,321,198**		1,292,543
Total Noncurrent Assets		**1,757,536**		1,630,213
Total Assets		**2,042,623**		1,951,916
Deferred Outflows of Resources		**112,209**		154,389
Total Assets and Deferred Outflows of Resources		**2,154,832**		2,106,305
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities		**49,651**		44,633
Accrued Payroll Related Liabilities		**41,647**		44,709
Deposits		**4,124**		5,114
Obligations Under Securities Lending		**4,477**		1,877
Current Portion of Long-Term Liabilities		**51,235**		45,364
Unearned Revenues		**55,670**		60,413
Total Current Liabilities		**206,804**		202,110
Noncurrent Liabilities				
Long-Term Liabilities		**780,588**		736,457
Net Pension & OPEB Liabilities		**314,604**		292,712
Total Noncurrent Liabilities		**1,095,192**		1,029,169
Total Liabilities		**1,301,996**		1,231,279
Deferred Inflows of Resources		**3,286**		2,720
Total Liabilities and Deferred Inflows of Resources		**1,305,282**		1,233,999
NET POSITION				
Net Investment in Capital Assets		**797,111**		787,970
Restricted For:				
Expendable:				
Gifts, Grants and Contracts		**11,973**		6,842
Student Loans		**25,980**		26,169
Capital Projects		**49,846**		43,185
Unrestricted		**(35,360)**		8,140
Total Net Position		**849,550**		872,306
Total Liabilities, Deferred Inflows and Net Position	$	**2,154,832**	$	2,106,305

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

As of June 30,	UO Foundation 2018	2017
	(In thousands)	
Assets		
Cash and Cash Equivalents	**$ 76,484**	$ 49,235
Contributions, Pledges, and Grants Receivable, Net	**432,841**	505,762
Investments (Note 3)	**1,210,847**	1,083,563
Other Assets	**21,034**	19,686
Capital Lease Receivable, Net	**40,849**	41,627
Property and Equipment, Net	**23,805**	17,374
Total Assets	**1,805,860**	1,717,247
Liabilities		
Accounts Payable and Accrued Liabilities	**4,145**	751
Accounts Payable to University	**657**	17
Obligations to Beneficiaries of Split-Interest Agreements	**53,414**	53,174
Deposits Held in Custody	**81,666**	76,574
Long-Term Liabilities	**53,201**	54,289
Total Liabilities	**193,083**	184,805
Net Assets		
Unrestricted	**23,101**	15,644
Temporarily Restricted	**738,707**	700,399
Permanently Restricted	**850,969**	816,399
Total Net Assets	**$ 1,612,777**	$ 1,532,442

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



Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30,	University 2018	2017
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $77,945 and $70,701, respectively	**$ 389,405**	$ 381,434
Federal Grants and Contracts	**93,077**	86,575
State and Local Grants and Contracts	**3,015**	2,748
Nongovernmental Grants and Contracts	**20,230**	17,590
Educational Department Sales and Services	**15,976**	15,751
Auxiliary Enterprises Revenues (Net of Allowances of $6,244 and $8,711 respectively)	**204,650**	190,759
Other Operating Revenues	**13,750**	18,834
Total Operating Revenues	**740,103**	713,691
OPERATING EXPENSES		
Instruction	**279,573**	274,772
Research	**70,233**	66,711
Public Service	**47,680**	43,282
Academic Support	**63,995**	59,242
Student Services	**44,707**	42,042
Auxiliary Programs	**192,529**	200,141
Institutional Support	**69,856**	67,894
Operation and Maintenance of Plant	**54,632**	52,109
Student Aid	**37,677**	34,433
Other Operating Expenses	**38,850**	39,228
Change in Components of Net Pension & OPEB Liabilities (Notes 13 and 14)	**55,635**	41,084
Total Operating Expenses	**955,367**	920,938
Operating Loss	**(215,264)**	(207,247)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations	**70,726**	66,515
Financial Aid Grants	**32,348**	31,576
Investment Activity	**21,913**	16,154
Gain (Loss) on Sale of Assets, Net	**(5,802)**	22
Interest Expense	**(32,544)**	(24,341)
Other Nonoperating Items	**72,116**	71,108
Net Nonoperating Revenues	**158,757**	161,034
Loss Before Capital Additions	**(56,507)**	(46,213)
CAPITAL ADDITIONS		
Debt Service Appropriations	**1,972**	2,017
Capital Grants and Gifts	**46,383**	76,095
Total Capital Additions	**48,355**	78,112
Increase (Decrease) In Net Position	**(8,152)**	31,899
NET POSITION		
Beginning Balance (Previously Reported)	**872,306**	840,407
Restatement from Implementation of GASB 75 (Note 2)	**(14,604)**	
Beginning Balance (Restated)	**857,702**	
Ending Balance	**$ 849,550**	$ 872,306

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

Statement of Activities

For The Year Ended June 30,	UO Foundation 2018	2017
	(In thousands)	
Revenues		
Grants, Bequests, and Gifts	**$ 115,914**	$ 568,101
Investment Income, Net	**77,439**	73,753
Change in Value of Life Income Agreements	**1,352**	3,703
Other Revenues	**1,048**	1,650
Total Revenues	**195,753**	647,207
Expenses		
University Support	**107,544**	127,614
General and Administrative	**7,874**	7,508
Total Expenses	**115,418**	135,122
Increase In Net Assets	**80,335**	**512,085**
Net Assets		
Beginning Balance	**1,532,442**	1,020,357
Ending Balance	**$ 1,612,777**	$ 1,532,442

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

For the Years Ended June 30,	University 2018	2017
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 388,383**	$ 381,724
Grants and Contracts	**110,909**	105,812
Educational Department Sales and Services	**15,905**	15,430
Auxiliary Enterprises Operations	**198,240**	189,527
Payments to Employees for Compensation and Benefits	**(607,244)**	(602,158)
Payments to Suppliers	**(190,957)**	(186,010)
Student Financial Aid	**(36,420)**	(33,675)
Other Operating Receipts	**18,981**	17,157
Net Cash Provided (Used) by Operating Activities	**(102,203)**	(112,193)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**70,726**	66,515
Financial Aid Grants	**32,348**	31,576
Other Gifts and Private Contracts	**72,116**	71,108
Net Agency Fund Receipts (Payments)	**(4,145)**	1,094
Net Cash Provided (Used) by Noncapital Financing Activities	**171,045**	170,293
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**1,972**	2,017
Capital Grants and Gifts	**45,827**	47,140
Bond Proceeds from Capital Debt	**70,693**	-
Sales of Capital Assets	**79**	219
Purchases of Capital Assets	**(110,330)**	(103,404)
Interest Payments on Capital Debt	**(33,034)**	(18,940)
Principal Payments on Capital Debt	**(20,690)**	(3,869)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(45,484)**	(76,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	**3,133**	12,043
Purchase of Investments	**(60,025)**	(60,000)
Interest on Investments and Cash Balances	**19,255**	16,280
Net Cash Provided (Used) by Investing Activities	**(37,637)**	(31,677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,279)**	(50,414)
CASH AND CASH EQUIVALENTS		
Beginning Balance	**292,598**	343,012
Ending Balance	**$ 278,319**	$ 292,598

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

For the Years Ended June 30,	University 2018	University 2017
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$ (215,264)**	$ (207,247)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	**65,351**	62,155
Changes in Assets and Liabilities:		
Accounts Receivable	**(2,699)**	(4,826)
Notes Receivable	**(126)**	(17)
Inventories	**(231)**	(152)
Prepaid Expenses	**273**	(826)
Change in Deferred Outflows	**(174)**	15
Change in Components of Net Pension & OPEB Liabilities	**55,635**	41,083
Accounts Payable and Accrued Liabilities	**4,826**	(3,316)
Long-Term Liabilities	**(5,051)**	18
Unearned Revenue	**(4,743)**	917
NET CASH USED BY OPERATING ACTIVITIES	**$ (102,203)**	$ (112,193)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Incurring Capital Lease Obligations	**$ -**	$ 112
Capital Assets Acquired by Gifts in Kind	**(556)**	28,955
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	**2,658**	(126)
Non-cash Changes to State Note Payable	**(1,421)**	(5,532)
Forward Currency Exchange Contracts Gain/(Loss)	**(174)**	15

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

1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The UO financial reporting entity consists of the university itself and one university foundation (UO Foundation), which is reported as a discretely presented component unit in the UO Financial Statements. See Note 18. University Foundation for additional information relating to this component unit. Organizations that are not financially accountable to the UO, such as booster and alumni organizations, are not included in the reporting entity.

Previously a member institution of the Oregon University System (OUS), the UO became an independent public entity, with statewide purposes and missions, effective July 1, 2014. The OUS ceased operations effective June 30, 2015. The UO has separate legal standing and possesses the corporate powers that distinguish it as being legally separate from the State of Oregon. The UO is included as a discretely presented component unit in the Comprehensive Annual Financial Report issued by the state starting with the fiscal year 2015 financial report.

The University of Oregon Board of Trustees (BOT) is the UO's governing body. The broad responsibilities of this 15-member group are to supervise, coordinate, manage, and regulate the UO, as provided by state statute. The trustees may exercise all powers, rights, duties, and privileges expressly granted by law or that are incidental to their responsibilities. The membership of the BOT is established by law. With the exception of the UO president, the trustees are appointed by the state governor and are subject to confirmation by the state senate in the manner prescribed by law. To assist the governor in appointing trustees, the BOT may submit a list of nominees to the governor for consideration whenever there is a vacancy.

B. Financial Statement Presentation

The UO financial accounting records are maintained in accordance with US Generally Accepted Accounting Principles (GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The UO prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of an MD&A.

The UO has also adopted 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, as well as GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

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

Financial statements of the UO Foundation are presented in accordance with GAAP prescribed by the Financial Accounting Standards Board (FASB).

Newly Implemented Accounting Standards

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary ojective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The specific other postemployment benefits (OPEB) accounts impacting UO are detailed below.

Total and net OPEB liabilities. Previous standards defined OPEB liabilities in terms of the annual required contribution. GASB 75 defines the total and net OPEB liabilities as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the plan's fiduciary net position.

Deferred inflows of resources and **deferred outflows of resources**. GASB 75 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on OPEB plan investments. These differences are to be recognized in OPEB expense using a systematic and rational method over a closed five-year period. GASB 75 requirements are effective for fiscal years beginning after June 15, 2017. Refer to Note 2. Restatement of Beginning Net Position, Note 14. Other Postemployment Benefits, and the Required Supplementary Information for disclosures related to this Statement.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The adoption of GASB Statement 81 did not have a material impact on the UO financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, to enhance consistency in the application of government accounting and financial reporting standards. This Statement is effective for reporting periods beginning after June 15, 2017. The adoption of GASB Statement 85 did not have a material impact on the UO financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, to improve consistency in accounting and financial reporting for in-substance defeasance of debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. This Statement does not impact the UO.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged and UO is implementing this Statement commencing fiscal year 2018.

Upcoming Accounting Standards

UO is analyzing the effects of the adoption of the following GASB statements and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, which are legally enforceable liabilities associated with the retirement of tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments, and for accounting and financial reporting of those activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for reporting periods beginning after December 15, 2019.

In April 2018 GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In August 2018 GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of cash and investments held by the UO and cash held in the Oregon Short Term Fund (OSTF).

Cash and cash equivalents restricted for capital construction and agency funds are classified as noncurrent assets in the SNP.

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 SRE.

Investments restricted for capital construction and agency funds are classified as noncurrent assets in the SNP.

Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities, that each fund has the ability to access.

Level 2 - other observable inputs including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs.

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The UO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The UO has recorded its investments at fair value, and primarily uses the market approach to valuing each security. The UO applies fair market value updates to its securities on a monthly basis.

Security pricing is provided by a third-party, and is reported monthly to the UO by its custodian bank. Assets are categorized by asset type, which is a key component of determining hierarchy levels.

F. Inventories

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

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. The UO capitalizes equipment with unit cost of $5 or greater and an estimated useful life of greater than one year. Real property acquisitions are capitalized if they meet the capitalization threshold of $50 to $100 depending on the type. Expenditures that increase the functionality and/or extend the useful life of real property are capitalized if they meet thresholds of $50 to $100. Intangible assets with a value of $100 are capitalized. Expenditures below the capitalization thresholds, including repairs and maintenance, are charged to operating expense in the year in which the expense is incurred.

As an institute of higher education in existence for over 140 years, the UO has acquired significant collections of art, rare books, historical treasures, and other special collections. The purpose of these collections is for public exhibition, education, or research in furtherance of public service rather than financial gain. However, because of their invaluable and irreplaceable nature, these collections are not depreciated and are reported as non-depreciable capital assets in the SNP.

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, land improvements, and improvements other than buildings, 10 years for library materials, and

5 to 11 years for equipment. Depreciation is not applied to land, construction in progress, museum collections, works of art, historical treasures, or library special collections.

Amortization terms of intangible assets vary depending on the factors relating to the specific asset.

H. 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).

I. Compensated Absences

The UO accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year, for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the SNP reports a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period and thus will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the SNP reports a separate section for deferred inflows of resources. Deferred inflows of resources represents acquisitions of net position that apply to a future reporting period and thus will not be recognized as an inflow of resources (revenue) until then.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS), and additions to or deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Net Position

UO's net position is classified as follows:

Net Investment in Capital Assets

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

Restricted Expendable

Restricted-expendable includes resources which the UO is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The three types of restricted-expendable net position are: gifts, grants, and contracts; student loans; and capital projects.

Unrestricted

Unrestricted net assets are resources that may be used at the discretion of UO management and the BOT.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are generally applied first.

M. Income Taxes

The UO is considered to be a governmental entity for tax purposes. As such, the UO is generally not subject to federal and state income taxes. However, the UO 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 UO was granted exemption from income taxes. No income tax is payable because there is no net unrelated business income for the UO.

N. Revenue and Expenses

The UO 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 associated with auxiliary enterprises, most federal, state, and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expense of capital assets.

For the Year Ended June 30, 2018 (dollars in thousands)

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, the UO 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. Examples of nonoperating expenses include interest on capital asset related debt.

O. Allowances

Student tuition and fees, and campus housing revenues included in auxiliary enterprises revenues, are reported net of scholarship allowances. Scholarship allowances are the difference between the amounts charged to students and the amounts actually paid. The UO has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by the UO, amounted to $40,332 and $45,072 for the fiscal years ended 2018 and 2017, 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 were estimated to be $41,760 and $32,174 for the fiscal years ended 2018 and 2017, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $2,320 and $2,838 for the fiscal years ended 2018 and 2017, respectively.

P. Federal Student Loan Programs

The UO receives proceeds from the Federal Direct Student Loan Program. The UO transmits these grantor-supplied monies without having administrative or direct financial involvement in the program. Federal student loans received by UO students, but not reported in operations, were $148,510 and $142,598 for the fiscal years ended 2018 and 2017, respectively.

Q. Funds Held in Trust by Others

Funds held in trust by others, for which the UO is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2018 and 2017, was $773 and $743, respectively.

R. Use of Estimates

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

S. Reclassification

Certain items previously reported in the financial statements have been reclassified to conform to the current financial statement presentation, but do not alter the reported change in net position.

2. Restatement of Beginning Net Position

Cumulative Effect of Change in Accounting Principle

UO implemented GASB 75 in the current year. PERS determined the amounts of total and net OPEB liabilities as of the beginning of the plan year. As a result, the prior year has not been restated for deferred inflows of resources, deferred outflows of resources, total and net OPEB liabilities, or OPEB expense. Hence, the cumulative effect of applying this Statement is reported as a $14,604 reduction of beginning net position as of July 1, 2017.

	June 30, 2017 (previously reported)	Cumulative Effect of GASB 75 Implementation	June 30, 2017 Restated
Net OPEB Asset	-	1,044	1,044
Deferred Outflow of Resources	154,389	2,575	156,964
Net Pension & OPEB Liabilities	286,241	(17,432)	268,809
Deferred Inflows of Resources	2,720	(791)	1,929
Net Position	872,306	(14,604)	857,702

3. Cash and Investments

Deposits and investment securities as described below are exposed to various risks such as those associated with credit, concentration of credit, custodial credit, interest rate, and foreign currency.

It is likely that the value of the investment securities will fluctuate and such changes might affect the amounts reported in the financial statements.

A. Cash and Cash Equivalents

The UO maintains the majority of its cash balances on deposit with the state treasury in the OSTF. Deposits in the OSTF are reported at fair value, which approximates cost and its share value. The pool's fair value is presented within cash and cash equivalents in the basic financial statements. The OSTF is administered by the Oregon State Treasury. The OSTF is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the State who by law is made the custodian of, or has control of, any fund. The OSTF is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which is not registered with the US Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the OSTF. At the fiscal years ended June 30, 2018 and 2017, UO cash and cash equivalents on deposit at the state treasury were $194,078 and $241,515, respectively.

For the Year Ended June 30, 2018 (dollars in thousands)

For the fiscal years ended June 30, 2018 and 2017, the UO also had $89,264 and $51,688 on deposit in financial depositories, respectively.

Cash and cash equivalents are classified as current and noncurrent. Cash that is restricted in purpose from an external source is reported on the financial statements as restricted cash and as a non-current asset. The 2018 current portion, $192,556, includes $26,899 designated for payroll liabilities. The noncurrent portion, $85,763, includes $3,154 designated for UO student groups and campus organizations.

The 2017 current portion, $234,324, includes $32,166 designated for payroll liabilities. The noncurrent portion, $58,274, includes $3,246 designated for UO student groups and campus organizations.

		2018		2017
Petty Cash	**$**	**198**	$	186
Commercial Bank Account		**82,813**		50,369
Oregon State Treasury		**194,078**		241,515
Money Market		**1,230**		528
	$	**278,319**	$	292,598

A copy of the state treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896 or at oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx.

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. UO cash balances not deposited with the state treasury are held in accounts that are insured up to federally insured limits. The financial health of depositories is reviewed at least annually.

Foreign Currency Risk—Deposits

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State treasury deposits are in US currency and therefore not exposed to foreign currency risk.

To mitigate foreign currency risks for prospective study abroad activities, the UO periodically enters into forward foreign currency contracts. At June 30, 2018 and 2017, respectively, these contracts totaled $3,826 and $3,909 and had a net fair value loss of $289 and $117. The net fair value loss is reported as deferred outflows on the SNP.

June 30, 2018

Notional			Principal		Effective	Maturity	Contract		Fair	
Currency		**Amount**	**Amount**		**Date**	**Date**	**Rate**		**Value Adj**	
EUR	**€**	**500**	**$**	**655**	**7/3/2017**	**6/28/2019**	**$**	**1.3107**	**$**	**(71)**
EUR		**200**		**264**	**11/24/2017**	**9/30/2019**		**1.3215**		**(31)**
EUR		**200**		**266**	**10/2/2017**	**12/31/2019**		**1.3318**		**(33)**
EUR		**200**		**268**	**10/2/2017**	**3/13/2020**		**1.3400**		**(34)**
EUR		**200**		**233**	**11/24/2017**	**4/30/2019**		**1.1650**		**1**
EUR		**93**		**107**	**11/24/2017**	**9/28/2018**		**1.1400**		**3**
EUR		**200**		**232**	**5/1/2018**	**12/31/2018**		**1.1600**		**2**
			$	**2,025**					**$**	**(163)**
GBP	**£**	**150**	**$**	**219**	**5/1/2018**	**6/28/2019**	**$**	**1.4589**	**$**	**(21)**
GBP		**150**		**220**	**3/16/2018**	**9/30/2019**		**1.4654**		**(22)**
GBP		**150**		**221**	**3/16/2018**	**12/31/2019**		**1.4716**		**(23)**
GBP		**150**		**221**	**3/16/2018**	**3/13/2020**		**1.4766**		**(23)**
GBP		**125**		**171**	**3/16/2018**	**4/30/2019**		**1.3650**		**(6)**
GBP		**41**		**56**	**3/16/2018**	**9/28/2018**		**1.3767**		**(2)**
GBP		**200**		**276**	**3/16/2018**	**12/31/2018**		**1.3813**		**(12)**
GBP		**228**		**316**	**3/16/2018**	**3/29/2019**		**1.3858**		**(15)**
GBP		**75**		**101**	**3/16/2018**	**12/31/2018**		**1.3475**		**(2)**
			$	**1,801**					**$**	**(126)**

June 30, 2017

Notional			Principal		Effective	Maturity	Contract		Fair	
Currency		Amount	Amount		Date	Date	Rate		Value Adj	
EUR	€	355	$	408	5/1/2017	9/29/2017	$	1.1500	$	(3)
EUR		300		352	1/2/2017	12/29/2017		1.1731		(10)
EUR		500		592	4/2/2018	6/29/2018		1.1841		(22)
EUR		300		354	1/1/2018	3/29/2018		1.1784		(11)
EUR		200		228	7/3/2017	9/28/2018		1.1400		0
EUR		200		232	10/2/2017	12/31/2018		1.1600		(4)
EUR		200		233	5/1/2018	4/30/2019		1.1650		(5)
			$	2,399					$	(55)
GBP	£	141	$	192	5/1/2017	9/29/2017	$	1.3600	$	(9)
GBP		150		202	10/2/2017	12/29/2017		1.3490		(8)
GBP		150		203	1/1/2018	3/29/2018		1.3501		(8)
GBP		300		406	4/2/2018	6/29/2018		1.3534		(17)
GBP		125		168	7/3/2017	9/28/2018		1.3400		(5)
GBP		125		168	10/2/2017	12/31/2018		1.3475		(6)
GBP		125		171	5/1/2018	4/30/2019		1.3650		(9)
			$	1,510					$	(62)

Other Deposits

As of June 30, 2018 and 2017, the UO had vault and petty cash balances of $198 and $186, respectively. In addition, the UO had small amounts of cash relating to debt issuances invested with a fiscal agent.

B. Investments

Funds are invested by the university's treasurer, through the university's treasury operations division. Treasury activities are governed by the BOT-approved treasury management policy and its accompanying procedures. In addition, the UO's investment policies adhere to applicable laws and assets are managed as a prudent investor would do, exercising reasonable care, skill, and caution. The

For the Year Ended June 30, 2018 (dollars in thousands)

UO manages investments as a part of its overall cash and investment pool, which is designed to provide adequate liquidity to meet the cash needs of the UO

Because of the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities could occur in the near term and such changes might affect the amounts reported in the SNP.

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

As of June 30, 2018, the UO's total investments consisted of $66,581 in fixed income investments, plus $69,326 in all other investments. As of June 30, 2017, the UO's total investments consisted of $44,968 in fixed income investments, plus $31,389 in all other investments.

2018 Investment Type:

Investment Type:		Fair Value	% of Total Investments
US Government Notes & Bonds	$	12,316	9
US Government Agency Issues		8,515	6
Corporate Notes		22,533	17
Asset-Backed Securities		8,065	6
Foreign Issues		13,934	10
Municipal Issues		817	1
Accrued Income		401	0
Fixed Income Investments		66,581	49
Stocks and Equity Investments		169	0
Partnerships/Alternative Equity		3,749	3
T3 Investment Pool		65,408	48
		69,326	51
Total Investments	$	135,907	100

Investments of the UO Foundation are summarized at June 30, 2018 as follows:

Fair Value at June 30,	2018	2017
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	**$ 261,322**	$ 224,070
Investment in Common Stock, Voting Trust and Partnerships	**881,823**	773,799
Money Market Funds and Certificates of Deposit	**65,450**	81,415
Other	**2,252**	4,279
Total Investments	**$ 1,210,847**	$ 1,083,563

Credit Risk

Credit risk is the risk that the issuer of a debt security fails to fulfill its obligations. The UO has separate credit criteria for each segment of the cash and investment pool. See the table below for UO investment credit quality ratings at June 30, 2018.

Investments Rating by Type:

		Credit Rating (S&P)				
2018	Fair Value	AAA	AA	A	BBB	Unrated
US Government Notes & Bonds	$ 12,316	$ -	$ 12,316	$ -	$ -	$ -
US Government Agency Issues	8,515	151	8,363	-	-	-
Corporate Notes	22,533	-	2,193	10,637	9,703	-
Asset-Backed Securities	8,065	5,286	-	-	-	2,780
Foreign Issues	13,934	4,374	2,736	5,857	968	-
Municipal Issues	817	-	669	148	-	-
Fair Value at June 30, 2018:	$ 66,180	$ 9,811	$ 26,277	$ 16,642	$ 10,671	$ 2,780

Custodial Credit Risk

Custodial credit risk refers to UO investments that are held by others and not registered in the UO's or the state treasury's name. Currently, all investments are held by the UO and in the UO's name.

Custodial credit risk typically occurs in repurchase agreements or securities lending transactions where one transfers cash to a broker-dealer in exchange for securities, but a separate trustee in the name of the broker-dealer holds the securities. The UO does not directly participate in securities lending transactions. However, any funds on deposit with the state treasury may be included in their securities lending program. The state treasury and the Oregon Investment Council have established policy provisions around securities lending to control this risk. See Section C. Securities Lending in this note for additional information. UO investment policy and procedures permit repurchase agreements but none existed as of June 30, 2018.

Concentration of Credit Risk

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers.

For the year ended June 30, 2018 the UO held investments, excluding the U.S. Government and its agencies, that were greater than or equal to 5 percent of total investments with the following issuers:

Issuer	Amount	%
T3 Investment Pool	$ 65,408	48

The T3 investment pool is a limited liability company (LLC) which is managed 100% for the benefit of UO. Concentration risk within the pool is managed such that on a cost basis, no more than 20% of the pool may be allocated to a single manager.

For the Year Ended June 30, 2018 (dollars in thousands)

Foreign Currency Risk

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. At June 30, 2018, the UO had no securities denominated in any foreign currency.

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. UO policies and procedures permit Tier 1 cash and investments a maximum duration of nine months and a maximum maturity of three years. Tier 2 of the cash and investment pool permits a maximum duration of three years and a maximum maturity of five years. Tier 3 of the cash and investment pool is invested as a quasi-endowment, and consequently has no duration or maturity limits.

As of June 30, 2018, the UO held $66,581 in fixed income securities, including accrued interest of $401.

Duration Table:

	Fair Value	Average Duration
US Government Notes & Bonds	$ 12,316	3.58
US Government Agency Issues	8,515	2.63
Corporate Notes	22,533	3.20
Asset-Backed Securities	8,065	1.70
Foreign Issues	13,934	2.67
Municipal Issues	817	1.26
Fixed Income Investments	$ 66,180	
Fixed Income Weighted Average Duration:		2.88

Fair Value

The UO had the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements Using			
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Government Notes & Bonds	$ 12,316	$ 12,316	$ -	$ -
US Government Agency Issues	8,515	-	8,515	-
Corporate Notes	22,533	-	22,533	-
Asset-Backed Securities	8,065	-	8,065	-
Foreign Issues	13,934	-	13,934	-
Municipal Issues	817	-	817	-
Stocks and Equities	169	-	-	169
Illiquid Alternative Equities	3,749	-	-	3,749
Total Investments by Fair Value Level	70,098	12,316	53,864	3,918
Accrued Interest	401			
Investments Measured at Net Asset Value (NAV)				
T3 Investment Pool	65,408			
Total Investments Measured at Fair Value	$ 135,907			

The UO had the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Treasury Securities	$ 5,279	$ 865	$ 4,414	$ -
Money Market Funds	31,049	31,049	-	-
Corporate bonds	4,923	-	4,923	-
Equity Securities	2,604	-	2,604	-
Municipal Obligations	1,113	-	1,113	-
Private Equity Securities	4,068	-	-	4,068
Total Investments by Fair Value Level	49,036	31,914	13,054	4,068
Investments Measured at Net Asset Value (NAV)				
Limited Partnerships	27,321			
Total Investments Measured at Fair Value	$ 76,357			

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are valued using a market comparable companies techniques. Limited partnerships are valued using the net asset value practical expedient.

C. Securities Lending

In accordance with the state treasury investment policies, the state treasurer participates in securities lending transactions. The state treasurer has authorized its custodian to act as its agent in the lending of OSTF securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There have been no significant violations of the provisions of securities lending agreements during fiscal years 2018 and 2017.

The state treasurer's securities lending agent lent short-term and fixed income securities and received as collateral US dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The state treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The state treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The custodian is authorized by the securities lending agreement to invest cash collateral received for UO securities on loan in the OSTF. At June 30, 2018, and

For the Year Ended June 30, 2018 (dollars in thousands)

2017, the OSTF comprised commercial paper, US agency securities, time certificates of deposit (TCDs), and corporate notes. The fund's rules provide that broker-dealers meet certain qualifications, and that investments are delivered to and held by a third-party custodian, which holds the funds' securities in the state's name. The TCDs, comprising approximately one percent of total OSTF investments, are exposed to custodial credit risk. The TCDs are collateralized by securities pledged by the bank equal to 25 percent of the Certificates of Participation provided by the bank.

The cash collateral of OSTF securities on loan was invested in a Short-Term Investment Fund (STIF), maintained by the custodial agent, into US agency securities and corporate notes. The investments were held by a third-party custodian in the state's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

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

D. Investment Activity

Investment activity detail is as follows:

	2018	2017
Net Appreciation of Investments	$ 2,658	$ (126)
Royalties and Technology Transfer Income	12,588	12,050
Gain (Loss) on Sale of Investment	1,402	626
Investment Earnings	5,265	3,604
Total Investment Activity	$ 21,913	$ 16,154

4. Accounts Receivable

Accounts receivable, including amounts due from the UO Foundation, comprised the following:

	June 30, 2018	June 30, 2017
Student Tuition and Fees	$ 30,908	$ 28,155
Auxiliary Enterprises and Other Operating Activities	10,053	9,892
Federal Grants and Contracts	10,640	7,192
Component Unit	11,705	11,229
State, Other Government, and Private Gifts, Grants and Contracts	7,841	5,275
Other	11,582	17,405
	82,729	79,148
Less: Allowance for Doubtful Accounts	(11,315)	(10,433)
Accounts Receivable, Net	$ 71,414	$ 68,715

5. Notes Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the federal student loans receivable at June 30, 2018. The program is primarily funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Federal Perkins loans deemed uncollectible are assigned to the US Department of Education for collection. The UO has provided an allowance for uncollectible loans, which in management's opinion will absorb loans that will ultimately be written off.

Notes receivable comprised the following:

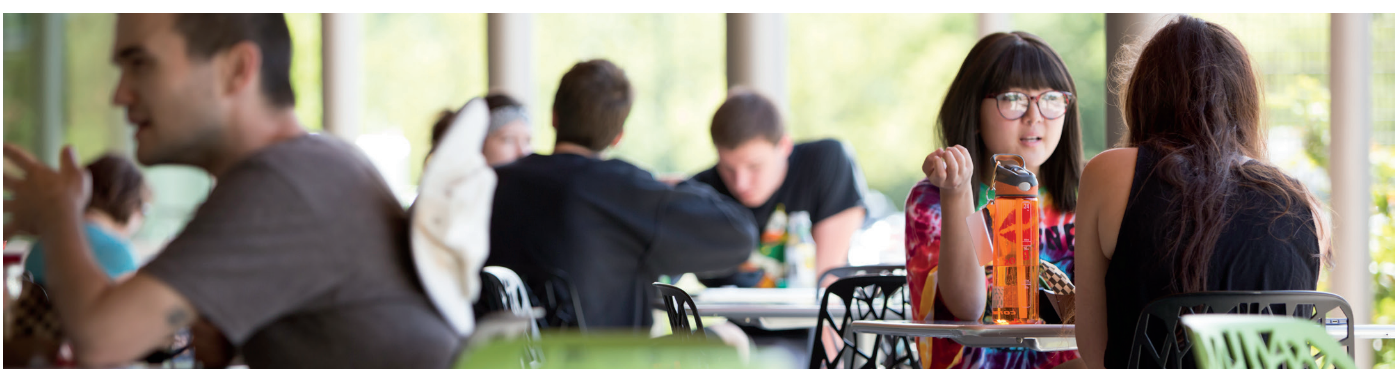
	June 30, 2018			June 30, 2017		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 1,428		$ 1,428	$ 1,593	$ -	$ 1,593
Federal Student Loans	3,289	18,419	21,708	3,205	18,017	21,222
	4,717	18,419	23,136	4,798	18,017	22,815
Less: Allowance for Doubtful Accounts	(412)	(1,052)	(1,464)	(388)	(881)	(1,270)
Notes Receivable, Net	$ 4,305	$ 17,367	$ 21,672	$ 4,410	$ 17,136	$ 21,545

For the Year Ended June 30, 2018 (dollars in thousands)

6. Capital Assets

The following schedule reflects the changes in capital assets:

	Balance June 30, 2016	Additions	Transfer Completed Assets	Retire. and Adjust.	Balance June 30, 2017	**Additions**	**Transfer Completed Assets**	**Retire. and Adjust.**	**Balance June 30, 2018**
Capital Assets, amortizable:									
Land	$ 55,130	$ -	$ 3,150	$ -	$ 58,280	**$ -**	**$ 3,096**	**$ -**	**$ 61,376**
Capitalized Collections	41,372	1,247	-	(26)	42,593	**732**	**15**	**(49)**	**43,291**
Construction in Progress	131,929	119,658	(167,010)	(26)	84,551	**98,455**	**(91,415)**	**-**	**91,591**
Intangible Assets	-	-	-	-	-	**-**	**-**	**-**	**-**
Intangible Assets in Progress	-	479	-	-	479	**90**	**(569)**	**-**	**-**
Total Capital Assets, Non-depreciable/Non-amortizable	228,431	121,384	(163,860)	(52)	185,903	**99,277**	**(88,874)**	**(49)**	**196,257**
Capital Assets, Depreciable/ Amortizable:									
Equipment	119,832	10,827	5	(3,179)	127,485	**9,057**	**98**	**(5,129)**	**131,511**
Library Materials	130,460	2,138	-	(721)	131,877	**1,907**	**-**	**(415)**	**133,370**
Buildings	1,503,291	-	162,441	-	1,665,732	**-**	**87,578**	**(5,293)**	**1,748,017**
Land Improvements	41,831	-	76	-	41,907	**-**	**0**	**(9,474)**	**32,433**
Buildings	11,220	-	-	-	11,220	**-**	**-**	**(199)**	**11,021**
Infrastructure	50,896	-	1,338	-	52,234	**-**	**628**	**(10)**	**52,853**
Intangible Assets	15,364	-	-	-	15,364	**-**	**569**	**-**	**15,933**
Total Capital Assets, Depreciable/Amortizable	1,872,894	12,965	163,860	(3,900)	2,045,819	**10,964**	**88,874**	**(20,519)**	**2,125,138**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(89,647)	(9,004)	-	3,075	(95,576)	**(8,723)**	**-**	**5,012**	**(99,287)**
Library Materials	(117,651)	(2,699)	-	686	(119,664)	**(2,550)**	**-**	**391**	**(121,823)**
Buildings	(424,108)	(44,844)	-	(6)	(468,958)	**(48,465)**	**-**	**2,816**	**(514,607)**
Land Improvements	(18,219)	(2,617)	-	-	(20,836)	**(2,570)**	**-**	**6,260**	**(17,146)**
Buildings	(9,458)	(337)	-	-	(9,795)	**(303)**	**-**	**199**	**(9,899)**
Infrastructure	(27,256)	(2,043)	-	-	(29,299)	**(2,125)**	**-**	**10**	**(31,414)**
Intangible Assets	(8,537)	(611)	-	-	(9,148)	**(616)**	**-**	**-**	**(9,763)**
Total Accumulated Depreciation/ Amortization	(694,876)	(62,155)	-	3,755	(753,276)	**(65,351)**	**-**	**14,688**	**(803,940)**
Total Depreciable/Amortizable	$ 1,178,018	$ (49,190)	$ 163,860	$ (146)	$ 1,292,543	**$ (54,387)**	**$ 88,874**	**$ (5,832)**	**$ 1,321,198**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 228,431	$ 121,384	$ (163,860)	$ (52)	$ 185,903	**$ 99,277**	**$ (88,874)**	**$ (49)**	**$ 196,257**
Capital Assets, Depreciable/ Amortizable	1,872,894	12,965	163,860	(3,900)	2,045,819	**10,964**	**88,874**	**(20,519)**	**2,125,138**
Total Cost of Capital Assets	2,101,325	134,349	-	(3,952)	2,231,722	**110,240**	**-**	**(20,569)**	**2,321,395**
Less Accumulated Depreciation/ Amortization	(694,876)	(62,155)	-	3,755	(753,276)	**(65,351)**	**-**	**14,688**	**(803,940)**
Total Capital Assets, Net	$ 1,406,449	$ 72,194	$ -	$ (197)	$ 1,478,446	**$ 44,889**	**$ -**	**$ (5,881)**	**$ 1,517,455**



For the Year Ended June 30, 2018 (dollars in thousands)

7. Operating Leases

A. Receivables—Revenues

The UO receives income for land, property, and equipment that is leased to external entities. Rental income received from leases was $2,932 and $2,766 for fiscal years 2018 and 2017, respectively. The original cost of assets leased, net of depreciation, was $25,344 and $31,483 for fiscal years 2018 and 2017, respectively. Minimum future lease revenues for noncancelable operating leases at June 30, 2018, were:

For the year ending June 30,	
2019	1,552
2020	917
2021	722
2022	615
2023	507
2024-2028	1,606
2029-2033	1,095
2034-2038	743
2039-2043	750
2044-2048	817
2049-2053	83
2054-2058	83
2059-2063	83
2064 and After	58
Total Minimum Operating Lease Revenues	$ 9,631

B. Payables—Expenses

The UO leases building and office facilities and other equipment under operating leases. Total costs for such leases and rents were $6,614 and $7,518 for fiscal years 2018 and 2017, respectively. At June 30, 2018, minimum future lease payments for noncancelable operating leases were:

For the year ending June 30,		
2019	$	4,649
2020		3,394
2021		2,922
2022		2,242
2023		1,911
2024-2028		8,016
2029-2033		2,970
Total Minimum Operating Lease Payments	$	26,104

8. Total Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the UO's net position that are applicable to a future reporting period. The following table presents total deferred outflows of resources:

	June 30, 2018	June 30, 2017
Currency Forward Purchases	**$ 290**	$ 116
OPEB Related Items	**2,575**	-
Pension Related Items	**109,344**	154,273
Total Deferred Outflows of Resources	**$ 112,209**	$ 154,389

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities comprised the following:

	June 30, 2018	June 30, 2017
Services and Supplies	**$ 30,794**	$ 26,061
Accrued Interest	**15,800**	14,870
Contract Retainage Payable	**3,057**	3,702
	$ 49,651	$ 44,633

For the Year Ended June 30, 2018 (dollars in thousands)

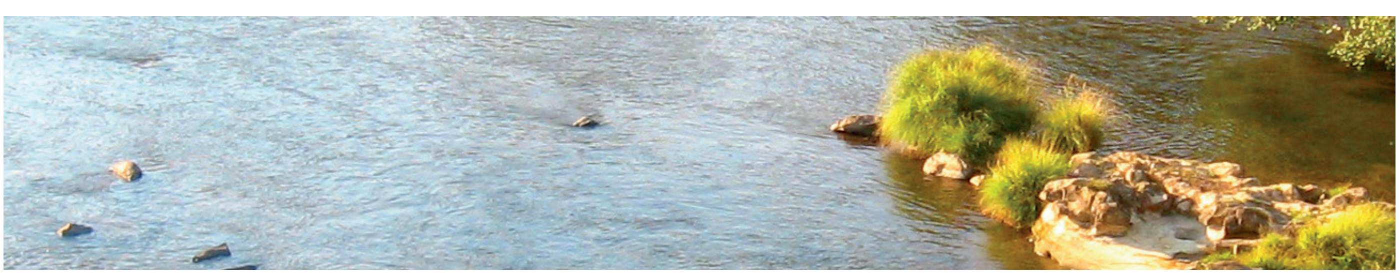
10. Long-Term Liabilities

Long-term liability activity was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year	Long-Term Portion
Long-Term Payment Obligations						
State of Oregon Note Payable	$ 501,837	$ -	$ (18,419)	$ 483,418	$ 18,341	$ 465,077
University of Oregon Revenue Bonds	110,000	60,000		170,000		170,000
UO Revenue Bonds premiums/discounts	19,158	10,693	(735)	29,116	1,024	28,092
Oregon Department of Energy Loans (SELP	38,423	-	(1,887)	36,536	1,968	34,568
Capital Leases	49,783	-	(1,070)	48,713	1,117	47,596
Total Long-Term Payment Obligations	719,201	70,693	(22,111)	767,783	22,450	745,333
Other Noncurrent Liabilities						
PERS Pre-SLGRP Pooled Liability	27,357	-	(1,611)	25,746	1,611	24,135
Compensated Absences	21,818	53,060	(48,131)	26,747	25,158	1,589
Employee Deferred Compensation	10,473	-	(913)	9,560	1,899	7,661
Employee Termination Liabilities	867	-	(867)	-	-	-
Unearned Revenue	2,104	-	(117)	1,987	117	1,870
Total Other Noncurrent Liabilities	62,619	53,060	(51,639)	64,040	28,785	35,255
Total Long-Term Liabilities	$ 781,820	$ 123,753	$ (73,750)	$ 831,823	$ 51,235	$ 780,588
Other Postemployment Benefits	6,472					
Total Long-Term Liabilities	$ 788,292					

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year	Long-Term Portion
Long-Term Payment Obligations						
State of Oregon Note Payable	$ 507,839	$ -	$ (6,002)	$ 501,837	$ 18,420	$ 483,417
University of Oregon Revenue Bonds	110,000	-	-	110,000	-	110,000
UO Revenue Bonds premiums/discounts	19,770	-	(612)	19,158	669	18,489
Oregon Department of Energy Loans (SELP	40,190	-	(1,767)	38,423	1,882	36,541
Capital Leases	50,691	112	(1,020)	49,783	1,066	48,717
Total Long-Term Payment Obligations	728,490	112	(9,401)	719,201	22,037	697,164
Other Noncurrent Liabilities						
PERS Pre-SLGRP Pooled Liability	28,691	-	(1,334)	27,357	1,334	26,023
Compensated Absences	20,157	6,940	(5,279)	21,818	19,263	2,555
Other Postemployment Benefits	6,256	216	-	6,472	-	6,472
Employee Deferred Compensation	11,159	1,567	(2,253)	10,473	1,746	8,727
Employee Termination Liabilities	589	13,747	(13,469)	867	867	-
Unearned Revenue	2,221	-	(117)	2,104	117	1,987
Total Other Noncurrent Liabilities	69,073	22,470	(22,452)	69,091	23,327	45,764
Total Long-Term Liabilities	$ 797,563	$ 22,582	$ (31,853)	$ 788,292	$ 45,364	$ 742,928

With the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the category Other Postemployment Benefits moved from Long-term liability activity to deferred outflows. Refer to Note 14. Other Postemployment Benefits.



For the Year Ended June 30, 2018 (dollars in thousands)

The schedule of principal and interest payments for UO long-term payment obligations is as follows:

For the Year Ending June 30,	State Note	Revenue Bonds	SELP	Capital Leases	Total Payments	Principal	Interest
2019	$ 42,723	$ 8,500	$ 3,549	$ 3,334	$ 58,106	$ 21,425	$ 36,681
2020	42,380	8,500	3,549	3,334	57,763	21,796	35,967
2021	41,027	8,500	3,548	3,333	56,408	22,191	34,217
2022	39,596	8,500	3,549	3,319	54,964	21,894	33,070
2023	39,549	8,500	3,548	3,309	54,906	22,884	32,022
2024-2028	192,321	42,500	17,743	16,546	269,110	126,532	142,578
2029-2033	169,027	42,500	12,296	16,546	240,369	129,805	110,564
2034-2038	149,220	42,500	1,281	13,282	206,283	128,206	78,077
2039-2043	58,615	42,500	-	12,466	113,581	62,946	50,635
2044-2048	5,397	199,000	-	6,025	210,422	180,988	29,434
Total Future Payment Obligations	**779,855**	**411,500**	**49,063**	**81,494**	**1,321,912**	**$ 738,667**	**$ 583,245**
Less: Interest Component of Future Payments	(296,438)	(241,500)	(12,525)	(32,782)	(583,245)		
Principal Portion of Future Payments	**483,417**	**170,000**	**36,538**	**48,712**	**738,667**		
Adjusted by: Unamortized Bond Premiums	-	29,116	-	-	29,116		
Total Long-Term Payment Obligations	**$ 483,417**	**$ 199,116**	**$ 36,538**	**$ 48,712**	**$ 767,783**		

The State of Oregon has issued various debt instruments to fund capital projects at the UO. These debt instruments include general obligation bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, certificates of participation (COPs), and lottery bonds. As of July 1, 2014, all of the state debt instruments for which UO had a payment obligation became part of a new Agreement for Debt Management (ADM). The UO also borrows funds from the Oregon Department of Energy. Principal and interest amounts due relating to the UO's share of these debt issuances are payable to the state. In addition, the UO has independently issued general revenue bonds to fund capital projects.

A. Agreement for Debt Management (ADM)

In connection with the UO becoming an independent public entity with statewide purposes and missions, the UO entered into an ADM dated July 1, 2014, with the state and amended and restated it July 1, 2015. It stipulates that all of the principal and interest associated with general obligation bonds under article XI-F(1) bonds, XI-Q bonds, and COPs, that were deemed university-paid as of July 1, 2014, are to be paid to the state from UO revenues and are displayed as State of Oregon Note Payable.

During the fiscal year ended June 30, 2018, the state issued no new bonded indebtedness applicable to the UO.

- XI-F(1) tax exempt bond series 2017 I of $125,835, with effective rates ranging from 0.94 to 3.38 percent, are due serially through 2037 for refunding. The ADM indicates that any savings due to refunding of outstanding bonds that were consolidated into the ADM will be allocated to the UO. The UO's portion of the 2017 I bond sale was used for refunding previously held debt within the ADM and reduced the state note payable by $3,640. See section D. Defeased Debt in this note.

- XI-G tax-exempt bonds series 2017 L of $149,220, with effective rates ranging from 0.90 to 3.08 percent, are due serially through August 1, 2042, for capital construction. The UO's expected portion of the 2017 L bond sale was $2,500 for Chapman Hall renovation, $6,250 for Klamath Hall renovation, and $17,000 for Tykeson Hall construction. The UO will receive these amounts on a reimbursement basis as capital grants, and the state will be responsible for all principal and interest payments.

- XI-Q tax-exempt bonds series 2017 A of $238,415, with effective rates ranging from 0.90 to 3.11 percent, are due serially through 2037 for capital construction. The UO's expected portion of the 2017 A bond sale was $5,500 for Chapman Hall and $6,000 for Klamath Hall renovation. The UO will receive these amounts on a reimbursement basis as capital grants and the state will be responsible for all principal and interest payments.

B. General Revenue Bonds

During the fiscal year ended June 30, 2018, the UO issued tax exempt general revenue bond series 2018 A of $60,000, with net proceeds of $70,693, due April 1, 2048, with an effective rate of 2.63 percent, for capital construction. These bonds have been rated Aa2 by Moody's. Interest payments are due semiannually. No new general revenue bonds were issued during fiscal year 2017.

General revenue bonds are payable solely from and secured by a pledge of general revenues, less amounts required when due under the ADM. The amounts pledged were $653,059 and $632,964 as of June 30, 2018 and 2017, respectively. Pledged revenues include all tuition, fees, charges, rents, revenues, and other income (including interest and dividends) of the university, if and to the extent such funds are not restricted in their use by law, regulation, or contract.

C. Oregon Department of Energy Loans

The UO has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at the UO. The UO makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with effective rates ranging from 3.90 percent to 5.03 percent, are due through 2035.

D. Defeased Debt

The UO participates in a debt portfolio managed by the state and subject to the ADM. When fiscally appropriate, the state will sell bonds and use the proceeds to defease other debt.

During the year ended June 30, 2018, the state did not issue bonds to defease debt applicable to UO. During the year ended June 30, 2017, the state issued $125,835 in XI-F(1) bonds to refund $136,105 of XI-F(1) bonds. The UO's portion of the refunding resulted in a difference between the reacquisition price and the net carrying value of the state note payable of $3,640. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 27 years by $5,652 and resulted in an economic gain of $3,659.

E. Financial Guarantees

The UO is a state governmental entity, engaged only in business-type activities. As of June 30, 2018, no amounts have directly been paid by the state for the UO's financial obligations, both cumulatively and during the current reporting period.

F. Employee Deferred Compensation

The UO has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans and used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the Oregon Public Universities Tax-Deferred Investment 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code Section 415.

G. Capital Leases

The UO has acquired assets under capital lease agreements. The cost of UO assets held under capital leases totaled $52,294 and $52,301 as of June 30, 2018 and 2017, respectively. Accumulated depreciation of leased equipment and buildings totaled $4,028 and $2,758 for June 30, 2018 and 2017, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2046. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. The weighted average of interest rates on capitalized leases is 4.60 percent.

H. 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 former SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the state is being amortized over the period ending December 31, 2027. The liability is allocated by the state, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the *Oregon Comprehensive Annual Financial Report*.

Interest expense was paid in the amount of $1,763 and $2,031 for June 30, 2018 and 2017, respectively. Principal payments of $1,611 and $1,334 were applied to the liability for June 30, 2018 and 2017, respectively.

For the Year Ended June 30, 2018 (dollars in thousands)

11. Government Appropriations

Government appropriations comprised the following:

	June 30, 2018		
	General Operations	**Debt Service**	**Total**
State General Fund	**$ 70,211**	**$ 1,972**	**$ 72,183**
State Lottery Funding	**515**	**-**	**515**
Total Appropriations	**$ 70,726**	**$ 1,972**	**$ 72,698**

	June 30, 2017		
	General Operations	Debt Service	Total
State General Fund	$ 66,000	$ 2,017	$ 68,017
State Lottery Funding	515	-	515
Total Appropriations	$ 66,515	$ 2,017	$ 68,532

12. Pension and OPEB Liabilities

The UO participates in multiple employer pension and OPEB plans. The following table presents the university's proportion of the liabilities:

	June 30, 2018	June 30, 2017
Net OPEB Liability	**$ 3,777**	$ -
Total OPEB Liability	**12,221**	4,172
Net Pension Liability	**298,606**	288,540
Total Deferred Inflows of Resources	**$ 314,604**	$ 292,712

13. Employee Retirement Plans

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

Oregon Public Employees Retirement System– Oregon Public Service Retirement Plan

General information about the Pension Plan

Name of the pension plan: The Oregon Public Employees Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan.

Plan description: Eligible employees of the UO, except those who select the Optional Retirement Plan (ORP), are provided with pensions through PERS. All the benefits of PERS are established by the Oregon Legislative Assembly pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. PERS issues a publicly available financial report that can be obtained at: https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Benefits provided under Chapter 238— Tier One/Tier Two

1. Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum payouts. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

2. Death Benefits. Upon the death of a nonretired member, the beneficiary receives a lump-sum payout 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:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or

- Member was on an official leave of absence from a PERS-covered job at the time of death.

3. Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

4. 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 (COLA). The COLA is capped at 2.0 percent.

Benefits provided under Chapter 238A—Oregon Public Service Retirement Plan (OPSRP) Pension Program

1. Pension Benefits. The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

2. Death Benefits. Upon the death of a nonretired 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.

3. 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.

4. Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living adjustments. The COLA is capped at 2.0 percent.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially-determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Contribution rates are reviewed bi-annually.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

For the Year Ended June 30, 2018 (dollars in thousands)

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
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.	

Actuarial Methods and Assumptions

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

An actuarial valuation of the system is performed to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2017. The valuation included projected payroll growth at 3.50 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2016, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was $79.8 billion. PERS and OPSRP net assets available for benefits on that date (valued at market) were $66.4 billion. Following the completion of the December 31, 2016 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.50 to 7.20 percent. Information for the UO as a standalone entity is not available.

Discount Rate

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

Depletion Date Projection

GASB Statement No. 67, *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25,* 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 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 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB 67 does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

For the Year Ended June 30, 2018 (dollars in thousands)

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

- 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 67 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 PERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 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%	3.0%	0.0%
Debt Securities	15%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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, independent actuarial and consulting firm, and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual (Geometric) Return
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50%

Sensitivity of the UO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the UO's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the UO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 508,879	$ 298,606	$ 122,779

For the Year Ended June 30, 2018 (dollars in thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the UO reported a liability of $298,606 for its proportionate share of the net pension liability, and pension expense of $85,304. The net pension liability 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, and rolled forward to June 30, 2017. At June 30, 2017, the UO reported a liability of $286,241 for its proportionate share of the net pension liability, and pension expense of $60,969. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and rolled forward to June 30, 2016. The UO's proportion of the net pension liability was based on its projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2018 and 2017, the university's proportion was 2.215 percent and 1.907 percent, respectively. Since the prior measurement date the UO's proportion of the collective net pension liability increased by 0.308 percent.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,441	$ -
Changes of assumptions	54,431	-
Net difference between projected and actual earnings on investments	3,076	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,161	2,495
Total (prior to post-measurement date contributions)	81,109	2,495
Contributions made subsequent to measurement date	28,235	-
Net Deferred Outflows/(Inflows) of Resources	$ 109,344	$ 2,495

Of the $109,344 reported as deferred outflows of resources, $28,235 related to pensions resulting from UO contributions subsequent to the measurement date will be 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 (revenue) as follows:

Year Ended June 30	Pension Expense (Revenue) Due to FY15 Amortizations	Pension Expense (Revenue) Due to FY16 Amortizations	Pension Expense (Revenue) Due to FY17 Amortizations	Pension Expense (Revenue) Due to FY18 Amortizations	Net Pension Expense (Revenue)
2019	(17,928)	9,440	32,418	(7,927)	16,003
2020	87	9,456	35,176	(4,562)	40,157
2021	-	350	33,766	(6,280)	27,836
2022	-	-	4,971	(10,979)	(6,008)
2023	-	-	-	625	625

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value is stated as a percent of payroll for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in PERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL rate contributions is simply the UAL itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings.

The UAL has Tier One/Tier Two and OPSRP components. The Tier One/Tier Two piece is based on the employer's Tier One/Tier Two pooling arrangement. The UO participates in the SLGRP. As a result, its Tier One/Tier Two UAL is the university's pro-rata share of the pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. For example, if the employer's payroll is one percent of the pool's total payroll, the employer will be allocated 1 percent of the pool's UAL. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a statewide level.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls.

For PERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier One/Tier Two payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

Because many governments in Oregon have sold pension obligation bonds and deposited the proceeds with PERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability or surplus, and pre-SLGRP liability or surplus (if any). This is done as those balances increase or decrease the employer's projected long-term contribution effort because side accounts are effectively prepaid contributions.

Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

OPSRP Individual Account Program (IAP)

1. Pension Benefits. Participants in PERS defined benefit pension plans also participate in the PERS defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years; the date the member reaches normal retirement age; the date the IAP is terminated; the date the active member becomes disabled; the date the active member dies.

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 lifespan option. Each distribution option has a two hundred dollar minimum distribution limit.

2. Death Benefits. Upon the death of a nonretired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

3. Contributions. The UO has chosen to pay the employees' contributions to the plan. Six percent of covered payroll is paid for general service and police and fire employees.

Retirement Bond Debt Service Assessment

In 2003, the state legislature authorized the state 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 biennially over the life of the 24-year debt repayment schedule.

The payroll assessment for the pension obligation bond began May, 2004, and is currently at a rate of 6.20 percent and is scheduled to be paid off in 2027. The rate is contractually required by PERS. Payroll assessments for the fiscal years ended June 30, 2018 and 2017, were $13,359 and $12,706 respectively.

Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation that authorized the OUS to offer a defined contribution retirement plan as an alternative to PERS. Upon dissolution of OUS, the UO manages the ORP on behalf of Oregon's public universities under a shared services agreement. Beginning April 1, 1996, the ORP was made available to UO unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of four tiers. Membership under ORP Tier One/Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP tiers equivalent to PERS Tier One/Tier Two and OPSRP, the employee's contribution rate is 6.00 percent and is paid by the employer. Beginning July 1, 2014, new members of ORP are members of the plan's fourth tier. Under Tier Four, the employee's contributions to a tax deferred investment account are matched by the UO up to 4.00 percent. Employees become fully vested in the ORP after five years of participation in the plan.

For the Year Ended June 30, 2018 (dollars in thousands)

The employer contribution rates for the ORP are as follows:

	2018	2017
ORP Tier One	**23.68%**	23.68%
ORP Tier Two	**23.68%**	23.68%
OPSRP Equivalent	**9.29%**	9.29%
ORP Tier Four	**8.00%**	8.00%

ORP participants who leave employment before vesting in the ORP forfeit their employer share of the ORP contributions, along with the associated investment income (losses) on those contributions. The UO applies the forfeited funds in sequential order to: (1) reinstate a participant's employer share when a participant returns to employment, (2) reimburse ORP administrative expenses, and (3) offset future ORP employer contributions.

Teachers Insurance and Annuity Association Plan (TIAA)

Eligible unclassified employees who enrolled prior to 1996 may participate in the TIAA retirement program, a defined contribution plan, on all salary in excess of $4.8 per calendar year. Employee contributions are directed to PERS on the first $4.8. The employer contribution to TIAA is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996. The UO manages the TIAA plan on behalf of Oregon's public universities under a shared services agreement. All participants of TIAA are fully vested and there will not be any forfeitures in the future.

Summary of Pension Payments

The UO total payroll for the year ended June 30, 2018, was $380,619 of which $330,973 was subject to retirement contributions.

The following schedule lists payments made by the UO for the fiscal year:

	June 30, 2018			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 28,240	12.57%	$ 13,089	3.95%
ORP	13,213	3.99%	6,549	1.98%
TIAA	45	0.01%	45	0.01%
Total	$ 41,498	16.57%	$ 19,683	5.95%

The UO total payroll for the year ended June 30, 2017, was $390,642 of which $319,082 was subject to retirement contributions.

	June 30, 2017			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 19,886	10.21%	$ 12,750	4.00%
ORP	12,290	3.85%	5,450	1.71%
TIAA	45	0.01%	45	0.01%
Total	$ 32,221	14.08%	$ 18,245	5.72%

14. Other Postemployment Benefits (OPEB)

The UO participates in three (3) defined benefit postemployment healthcare plans which offer medical, dental, and vision benefits to eligible retired state employees and their beneficiaries. The plans allow UO employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65.

Plan Descriptions

Public Employees' Benefit Board (PEBB) Employees of eligible agencies are allowed to purchase post-retirement medical insurance through PEBB if they retire from active service and, at the time of retirement, are immediately eligible for a pension benefit from Oregon PERS. In addition, retirees must have been enrolled in a PEBB medical or dental plan immediately prior to retirement, and must apply for retiree coverage within 60 days of when active PEBB coverage ends. This is a single-employer defined benefit OPEB plan not administered through a trust. There are no Employer Contributions; benefits are funded by the individual participants on a pay-as-you-go basis. The UO's proportionate share of activity based on percentage of annual health insurance premium costs was $82,241 calculated at 8.22 percent of the total for the state.

Retirement Health Insurance Account (RHIA) was established by ORS 238.420. The plan was closed to new entrants hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost 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. This multiple-employer cost-sharing defined benefit OPEB plan is administered through a trust. Contributions are actuarially determined as a percentage of payroll. The amounts presented in this note are limited to the UO's proportionate share of activity based on percentage of total contributions, estimated at 2.50 percent of the total. The UO's FY18 RHIA contributions was $890.

For the Year Ended June 30, 2018 (dollars in thousands)

Retiree Health Insurance Premium Account (RHIPA) was established by ORS 238.415. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement, or (2) receive a disability pension calculated as if they had eight years of qualifying service but are not eligible for federal Medicare coverage. The plan was closed to new entrants hired on or after August 29, 2003. This single-employer defined benefit OPEB plan administered through a trust. Contributions are actuarially determined as a percentage of payroll. The amounts presented in this note are limited to the UO's proportionate share of activity based on percentage of total contributions, estimated at 8.09 percent of the total. The UO's FY18 RHIPA contributions was $888.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, Deferred Inflows of Resources Related to OPEB

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the UO and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	RHIA	RHIPA	PEBB
Actuarial Valuation Date	12/31/2015	12/31/2015	7/1/2017
Measurement Date	6/30/2017	6/30/2017	6/30/2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation Rate	2.5%	2.5%	2.5%
Investment Rate of Return	7.5%	7.5%	3.9%
Projected Salary Increases	3.5%	3.5%	3.5%

Discount Rate

The discount rate used to measure the total RHIA/RHIPA liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA/RHIPA 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 OPEB plan investments for the RHIA/RHIPA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Under GASB 75, PEBB unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions in this report reflect the Bond Buyer 20-Year General Obligation Bond Index. The discount rate in effect for the June 30, 2017 reporting date is 3.58%, and the discount rate in effect for the June 30, 2018 reporting date is 3.87%.

Discount Rate Sensitivity

Sensitivity of the total and net OPEB liabilities to Changes in the Discount Rate

The following presents what the university's total and net OPEB liabilities would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	RHIA	RHIPA	PEBB
Discount rate	7.50%	7.50%	3.87%
Fund's Proportionate Share of system NOL/(A) at MD	(1,044)	3,778	12,221
■ Sensitivity: NOL using discount rate 1.00% lower	146	4,174	13,299
■ Sensitivity: NOL using discount rate 1.00% higher	(2,056)	3,411	11,231
■ Sensitivity: NOL/(A) using healthcare cost trend rate 1.00% lower	(1,044)	3,260	10,768
■ Sensitivity: NOL/(A) using healthcare costs trend rate 1.00% higher	(1,044)	4,365	13,955

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

	RHIA		RHIPA		PEBB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ -	$ -	$ -	$ -	$ 266
Changes in proportion and differences between fund contributions and proportionate share of contributions	23	-	-	-	-	-
Net difference between projected and actual earnings on investments	-	483	-	41	-	-
Total (prior to post-measurement date contributions)	23	483	-	41	-	266
Contributions made subsequent to measurement date	1,093		843		-	
Deferred Outflows/(Inflows) of Resources	$ 1,116	$ 483	$ 843		$ -	$ 266

UO contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30	RHIA Expense (Revenue) Due to FY18 Amortizations	RHIPA Expense (Revenue) Due to FY18 Amortizations	PEBB Expense (Revenue) Due to FY18 Amortizations	Total and Net OPEB Expense (Revenue)
2019	$ (112)	$ (11)	$ (37)	$ (160)
2020	(112)	(10)	(37)	(159)
2021	(115)	(10)	(37)	(162)
2022	(121)	(10)	(37)	(168)
2023	-	-	(37)	(37)
Thereafter	-	-	(81)	(81)
	$ (460)	$ (41)	$ (266)	$ (767)

15. Risk Management

Effective July 1, 2015, the UO implemented its first independent insurance portfolio as it withdrew from the Public University Risk Management Insurance Trust (PURMIT).

Effective October 15, 2016, the UO increased its property insurance coverage to $1,000,000. The total insurable value of property was assessed at $3,700,000 with a self-insured retention of $250. The earth movement and flood damage sublimit is $100,000, with a self-insured retention of $500. The casualty program covers general tort claims as well as directors and officers, errors and omissions, and employment liability. The UO's self-insured retention is $500 for general liability. During the last four fiscal years, no settled claims have exceeded the insurance coverage levels.

Property and casualty claims incurred but not reported (IBNR) are estimated at $1,543 beginning 2018. Activity for the year observed claims of $940 and payments for $1,183. Ending IBNR is estimated at $1,300.

The UO participates in a student health insurance plan which is controlled and administered by PacificSource Health Plans (Pacificsource). The UO implemented self-insurance for this plan in fiscal year 2017. UO purchases individual and aggregate stop loss coverage. The limit of self-insurance is $200 per claim, with an additional $3,000 of coverage above 125 percent of expected claims. The provisions for estimated health insurance claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Such claim reserves are based on the best data available to PacificSource; however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term. Such estimates are continually monitored and reviewed and reserves are adjusted; the differences are reflected in current operations. The UO paid $4,056 in claims during 2018. The estimate of a claims reserve was $518 for 2018.

The UO has established a risk management program to manage any costs within the respective policy deductibles. The insurance renewal process focused on broadening coverage, reducing portfolio costs, and continuing to monitor campus activities for potential gaps in coverage. The Safety and Risk Services unit works strategically with campus partners to increase risk awareness and safety and reduce injuries and losses. Workers' Compensation claims are administered by the State Accident Insurance Fund (SAIF).

16. Commitments and Contingent Liabilities

Outstanding commitments on construction projects that are in the planning phase but not yet initiated, as well as partially completed construction projects, totaled approximately $313,995 and $244,250, at June 30, 2018 and 2017, respectively. These commitments will be funded from gifts and grants, bond proceeds, and other UO funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2018. Multiple and distinct projects within a single building (e.g., Phil and Penny Knight Campus for Accelerating Scientific Impact) are combined into a single line item for this table.

The UO 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.

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

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS 657. The UO 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 the UO cannot be reasonably determined at June 30, 2018.

For the Year Ended June 30, 2018 (dollars in thousands)

CONSTRUCTION COMMITMENTS AS OF June 30, 2018

Project Description	Total Commitment	Completed to Date	Outstanding Commitment
510 Oak Street Renovation	$2,850	$1,214	$1,636
Bean Hall Renovations	48,219	25,826	22,393
Black Cultural Center	2,284	128	2,157
Classroom Building	1,500	0	1,500
Hayward Tunnel	3,185	1,041	2,145
Huestis Hall Restoration	2,059	1,392	667
Klamath Hall Renovation	21,231	1,691	19,540
Phil and Peggy Knight Campus for Accelerating Scientific Impact	225,000	16,643	208,357
Oregon Hall Renovations	11,770	8,805	2,965
Pacific Hall Renovation	25,490	19,570	5,920
Student Health Center Expansion	18,420	585	17,835
Tykeson Hall	32,535	12,152	20,383
Volcanology Exterior Restoration	2,095	206	1,889
Project Budgets <$1 million	8,386	1,777	6,609
Total	$405,024	$91,029	$313,995

17. Total Deferred Inflows of Resources

Deferred inflows of resources are utilization of the UO's net position that are applicable to a future reporting period. The following table presents total deferred inflows of resources:

	June 30, 2018	June 30, 2017
OPEB Related Items	$ (791)	$ -
Pension Related Items	(2,495)	(2,720)
Total Deferred Inflows of Resources	$ (3,286)	$ (2,720)

18. University Foundation

Under policies approved by the BOT, the UO Foundation has been recognized by the president to provide assistance in fundraising, public outreach, and other support for the mission of the UO. The UO Foundation is a legally separate, tax-exempt entity with an independent governing board. The majority of resources, or income thereon, which the foundation holds and invests are restricted to the activities of the UO by the donors and not controlled directly by the UO. Because these restricted resources held by the UO Foundation can only be used by, or for the benefit of the UO, the UO Foundation is considered a component unit of the UO and is discretely presented in the financial statements.

The financial activity is reported for the year ended June 30, 2018.

During the fiscal years 2018 and 2017, gifts of $95,503, and $98,742, respectively, were transferred from the UO Foundation to the UO. The foundation also reimbursed the University $12,041 for development costs, administrative support, and various other items in fiscal year 2018. In fiscal year 2017, this amount was $28,872. The UO Foundation is audited annually and received an unmodified audit opinion in 2018 and 2017.

Please see the financial statements for the UO Foundation on pages 17 and 19 of this report. Complete financial statements for the UO Foundation may be obtained by writing to the following:

University of Oregon Foundation
1720 E. 13th Avenue, Suite 410
Eugene, Oregon 97403-2253 or at
uofoundation.org

For the Year Ended June 30, 2018 (dollars in thousands)

Schedule of UO's Proportionate Share of Net Pension Liability - PERS

	2018	2017	2016	2015
UO's portion of net pension liability	2.215%	1.907%	1.654%	1.65%
UO's proportionate share of the net pension liability(asset)	$ 298,606	$ 286,241	$ 94,966	$ (37,466)
UO's covered employee payroll	213,982	198,619	201,223	188,099
UO's proportional share of the net pension liability(asset) as a percentage of its covered employee payroll	139.55%	144.12%	47.19%	(19.9%)
Plan fiduciary net position as a percentage of the total pension liability	83.12%	80.53%	91.88%	103.59%

Data reported is measured as of June 30, 2017 (measurement date)

Schedule of UO Contributions - PERS

	2018	2017	2016	2015
Statutorily-required contribution	$ 28,235	$ 19,886	$ 19,845	$ 17,662
Contributions made	28,235	19,886	19,845	17,662
Contribution (deficiency) excess	$ -	$ -	$ -	$ -
UO's covered-employee payroll	220,698	213,982	198,619	201,223
Contributions as a percentage of covered-employee payroll	12.79%	9.29%	9.99%	8.78%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of UO's Proportionate Share of Total and Net OPEB Liabilities

	2018			2017		
	RHIA	RHIPA	PEBB	RHIA	RHIPA	PEBB
UO's proportion of the collective total and net OPEB liabilities (asset)	2.501%	8.097%	8.226%	2.096%	7.109%	8.836%
UO's proportionate share of the collective total and net OPEB liabilities (asset)	$ (1,044)	$ 3,778	$ 12,221	$ 569	$ 3,815	$ 12,795
UO's covered employee payroll	319,082	319,082	330,973	292,008	292,008	319,082
UO's proportionate share of the collective total and net OPEB liabilities (asset) as a percentage of its covered employee payroll	(0.33%)	1.18%	3.69%	0.19%	1.31%	4.01%
Plan fiduciary net position as a percentage of the total OPEB liability	108.90%	34.30%	n/a	94.20%	21.90%	n/a

Data reported is measured as of June 30, 2017 (measurement date)

Schedule of UO Contributions - OPEB

	2018			2017		
	RHIA	RHIPA	PEBB	RHIA	RHIPA	PEBB
Statutorily-required contribution	$ 980	$ 888	$ 82,241	$ 1,017	$ 815	$ 79,708
Contributions made	980	888	82,241	1,017	815	79,708
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -	$ -
UO's covered-employee payroll	330,973	330,973	330,973	319,082	319,082	319,082
Contributions as a percentage of covered-employee payroll	0.30%	0.27%	24.85%	0.32%	0.26%	24.98%

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*

Members of the Board of Trustees
University of Oregon

We have audited the financial statements of the University of Oregon ("UO") and the University of Oregon Foundation ("the Foundation"), its discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise UO's basic financial statements and have issued our report thereon dated October 31, 2018. We conducted our audit 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. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UO's internal control. Accordingly, we do not express an opinion on the effectiveness of UO's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether UO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
October 31, 2018

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

Jamie Moffitt
Vice President for Finance and Administration, Treasurer, and CFO

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