

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Millersville University of Pennsylvania
of the State System of Higher Education
Millersville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Millersville University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of the Millersville University Foundation, Student Services, Inc., and Student Lodging, Inc., which represent 100%, 100%, and 100%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis as well as various schedules of Proportionate Share of Net Pension Liability, Changes in the System Plan Total OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions on pages 77-80 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of financial results of Millersville University of Pennsylvania of the State System of Higher Education (the University) for the years ended June 30, 2020, 2019, and 2018. The University's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow and should be read in conjunction with the financial statements and accompanying notes.

Millersville University is a public university of the Commonwealth of Pennsylvania (Commonwealth). The University is one of fourteen member institutions comprising the Pennsylvania State System of Higher Education (State System, or PASSHE) the purpose of which is to provide high quality education at the lowest possible cost to its students. With 7,817 students enrolled in fall 2019, the University ranked 6th in size within the State System in fiscal year 2019-20. The University had 7,781 students enrolled in the fall of 2018 and ranked 6th in size within the State System.

Like all State System institutions, the University functions independently, but being part of the State System enables the University to benefit from economies of scale for shared services and key central systems and administrative support.

Following is an overview of the University's financial activities for the years ended June 30, 2020, 2019, and 2018.

Financial Highlights

- As a public institution of higher education the University receives state appropriations to support its operations. These appropriations are allocated by the State System out of the total Commonwealth appropriation for all State System member institutions. In fiscal year 2017-18 the total Commonwealth base allocation to the State System was increased by 2.0% from the prior year to \$453.1 million. Subsequent increases of 3.3% to \$468.1 million in fiscal year 2018-19 and 2.1% to \$477.5 million in fiscal year 2019-20 were made to the State System appropriations.
- Total State appropriations by the Commonwealth to the University increased by 2.19% in fiscal year 2019-20. Appropriation levels are based on base appropriations only in fiscal year 2019-20, as the State System's performance funding program was discontinued and performance funds incorporated into base appropriations.
 - The Commonwealth funding to the University is based on an allocation formula established by the State System's Board of Governors. In fiscal year 2019-20, the University received approximately \$35.2 million in funding through a base allocation formula, which was a 14.33% increase from the \$30.8 million received in fiscal year 2018-19. The large increase was due to the discontinuation of performance funding allocations in fiscal year 2019-20.
 - The practice of performance funding allocations based on achieving performance targets was discontinued beginning in fiscal year 2019-20. A new methodology is being developed as a part of the PASSHE redesign efforts. This performance funding was part of the State

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

System's continuing commitment to ensure the high quality of university programs, and financially rewards universities based on performance in such areas as student achievement, diversity, and operational efficiency. In fiscal year 2018-19, the University received \$3.65 million in performance funding, which was a 12.9% increase from fiscal year 2017-18 when the University received \$3.23 million in performance funding.

- The State System Board approved a tuition freeze for 2019-20. Increases of 2.99% and 3.5% were approved for fiscal year 2018-19 and 2017-18, respectively. Undergraduate in-state tuition rates per credit were \$319 in fiscal year 2019-20 and 2018-19, and \$309 in fiscal year 2017-18. Millersville's per credit rate remains 1% below the calculated per credit rate for other PASSHE institutions which charge a flat tuition rate for full time undergraduate resident students.
- Total operating revenues were \$107.6 million in fiscal year 2019-20 representing a 5.4% decrease compared to \$113.7 million in fiscal year 2018-19. Of this total, tuition and fee revenue (net of discounts) was \$73.0 million for fiscal year 2019-20 and \$71.8 million for fiscal year 2018-19. Revenue from auxiliary operations was \$19.2 million for fiscal year 2019-20 and \$26.4 million for fiscal year 2018-19, a decrease of 27.1%. Auxiliary enterprise revenues are generated primarily food service charges and operation of the student center. The significant decrease is related mostly to refunding 46.6% of spring meal plans and student center fees, which were \$2.39 million and \$1.12 million, respectively. Additionally, refunds in the amount of \$3.42 million were made on behalf of our component units for Villages housing and are captured within the net auxiliary operating revenues. Student Services, Inc. is working on a repayment schedule related to the \$3.42 million in housing refunds.
- The University purchased \$3.1 million in capital assets in fiscal year 2019-20, which included \$2.2 million to build or improve academic and auxiliary facilities on campus.
- Bond Principal of \$3.5 million and bond interest of \$2.1 million were paid, bringing the total outstanding bond debt to \$41.4 million.
- The University refinanced portions of its share of bond obligations for Series AJ and issued AW in its place.
- All bonds held by the University are issued through the Pennsylvania State System of Higher Education. Moody's Investor Service, Inc., continues to assign an Aa3 credit rating to the State System's outstanding bonds. Fitch Rating, Inc., continues to assign the State System's bonds with an A+ rating. In the 3rd quarter of 2020, both Moody's and Fitch maintained their outlooks for the ratings as stable.
- COVID-19 Impacts
 - The university issued refunds related to general fee components (student activity fee, student center and shuttle bus), parking permits, room and board equivalent to 46.6% of the student cost of the spring semester. The refunds were about \$8.07 million, with \$3.42 million being owed back to the University from the affiliate Student Services, Inc. for refunds issues on behalf of the dormitories owned by the affiliate.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

- The University received CARES Act funds in the amount of \$2.81 million to be utilized for Emergency Student aid and \$2.81 million to be used for the institution and per guidance issued from the Department of Education.
- The University also received \$2.45 million in Title V Appropriated Coronavirus Relief Funds to be used per guidance from the Department of the Treasury by December 30, 2020.
- Of the \$8.07 million received, \$3.85 million was recorded as revenue in fiscal year 2019-20 and the remaining \$4.22 was recorded as unearned revenue and will be recorded as revenue in fiscal year 2020-21.

The Financial Statements

Balance Sheet (Statement of Net Position)

This statement reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the net position of the University as of fiscal year-end. Assets include cash; investments reported at fair market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation. Deferred outflows of resources, which is defined as a consumption of net position that applies to future periods, includes deferred losses on refunding of debt and certain items associated with the net pension and OPEB liabilities and annual pension and OPEB expense. Liabilities include payments due to vendors and students; the balance of bonds payable; and liabilities such as worker's compensation (the University is self-insured), compensated absences (the value of sick and annual leave earned by employees), and postretirement benefits (health and tuition benefits expected to be paid to current and future retirees). Deferred inflows of resources, which is defined as an acquisition of net position that applies to future periods, includes deferred gains on refunding of debt and certain items associated with the net pension and OPEB liabilities and annual pension and OPEB expense. The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position.

In FY 2014-15 the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the University to report its share of the pension liability that the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) must record. The liability recorded in FY 2017-18 amounted to \$71.3 million for SERS and \$7.2 million for PSERS. In FY 2018-19 these liabilities were \$84.0 million for SERS and \$6.7 million for PSERS. In FY 2019-20 these liabilities were \$72.8 million for SERS and \$7.0 million for PSERS.

In FY 2017-18 the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the University to report its share of the postemployment benefits other than pensions (OPEB) liability that the Commonwealth of Pennsylvania must record for the following plans: State System Plan (System Plan), Commonwealth Retired Employees Health Program (REHP Plan), and PSERS Healthcare Premium Assistance Program (Premium Assistance Plan). The 2018-2019 impact of this change was an overall decrease in our OPEB liability of \$20.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

The net position of the University increased by \$407,000 in fiscal year 2019-20. Unrestricted net position, including both the current and plant funds – assets that can be used to finance day-to-day operations without constraints and restrictions – increased from a deficit of (\$224.4 million) at the end of fiscal year 2018-19 to (\$222.3 million) at the end of fiscal year 2019-20.

Millersville University of Pennsylvania of the State System of Higher Education

Balance Sheet

As of June 30, 2020, 2019, & 2018

	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets	\$ 79,825,312	\$ 77,189,540	\$ 75,633,597
Noncurrent Assets:			
Capital Assets, Net	126,289,858	134,217,641	135,728,072
Other Noncurrent Assets	11,838,329	12,123,426	12,196,064
Total Assets	217,953,499	223,530,607	223,557,733
 Deferred Outflows of Resources	 18,516,140	 27,118,132	 17,174,527
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 236,469,639	 \$ 250,648,739	 \$ 240,732,260
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities	\$ 29,692,512	\$ 28,301,399	\$ 26,634,518
Noncurrent Liabilities:			
OPEB and Compensated Absences	140,027,349	158,505,739	189,147,943
Pension Liability	79,813,689	90,674,273	78,508,270
Long-Term Debt	42,111,454	46,674,444	49,452,196
Other Noncurrent Liabilities	4,860,250	5,391,699	5,522,699
Total Liabilities	296,505,254	329,547,554	349,265,626
 Deferred Inflows of Resources	 65,196,370	 46,739,826	 21,923,789
 NET POSITION			
Net Investment in Capital Assets	75,546,473	78,308,853	77,593,855
Total Restricted	21,546,509	20,443,639	20,643,950
Unrestricted	(222,324,967)	(224,391,133)	(228,694,960)
Total Net Position	(125,231,985)	(125,638,641)	(130,457,155)
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	 \$ 236,469,639	 \$ 250,648,739	 \$ 240,732,260

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020 AND 2019

(Unaudited)

- Net investment in capital assets is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation and less any associated debt such as bonds payable. This balance is not available for the University's use in ongoing operations, since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling university land and buildings without prior approval.
- Restricted net position represents the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. Nonexpendable restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. Expendable restricted net position is available for expenditure as long as any external purpose and time restrictions are met.
- Deferred Inflows of Resources, which is defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance and certain items associated with the net pension and OPEB liabilities and annual pension and OPEB expense.
- Unrestricted net position includes all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net position has been reduced primarily by three unfunded liabilities:
 - The liability for postretirement benefits is realized gradually over time, and because of its size, the University funds it only as it becomes due.
 - The liability for compensated absences is similar to the postretirement benefits liability as cash payouts to employees upon termination or retirement for annual and sick leave balances are realized gradually over time, and because of its size, the University funds it only as it become due.
 - The net pension liability is similar to the liabilities for postretirement benefits and compensated absences in that the University funds this liability on a "pay-as-you-go" basis with annual contractually required contributions to the State Employees Retirement System (SERS) and the Public School Employees Retirement System (PSERS).

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

Millersville University of Pennsylvania of the State System of Higher Education
Statement of Revenues, Expenses, and Change in Net Position - Primary institution
Years Ended June 30, 2020, 2019, 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES			
Tuition and Fees, Net	\$ 73,007,411	\$ 71,823,650	\$ 67,754,685
Governmental Grants and Contracts	12,254,823	11,281,865	12,240,512
Sales and Services	2,384,079	3,079,332	2,956,465
Auxiliary Enterprises, Net	19,238,686	26,390,744	25,759,453
Other Revenues, Net	764,210	1,158,644	1,376,733
Total Operating Revenues	<u>107,649,209</u>	<u>113,734,235</u>	<u>110,087,848</u>
NONOPERATING REVENUES			
State Appropriations, General and Restricted	35,567,379	34,805,234	33,793,847
Pell Grants	9,010,250	9,372,256	9,445,150
Gifts for Other Than Capital Purposes	3,664,947	3,291,407	4,077,763
Investment Income, Net	1,920,873	2,473,997	2,321,889
Loss on Disposal of Assets	(112,189)	(27,106)	(111,834)
Other Nonoperating Revenue	4,826,875	876,282	970,150
Total Nonoperating Revenues	<u>54,878,135</u>	<u>50,792,070</u>	<u>50,496,965</u>
OTHER REVENUES			
State Appropriations, Capital	1,434,521	1,237,908	1,346,961
Capital Gifts and Grants	393,469	60,612	982,406
Total Other Revenues	<u>1,827,990</u>	<u>1,298,520</u>	<u>2,329,367</u>
 Total Revenues	 164,355,334	 165,824,825	 162,914,180
OPERATING EXPENSES			
Instruction	56,908,637	55,522,627	60,862,649
Research	516,176	835,689	1,014,670
Public Service	5,619,419	4,394,716	4,523,476
Academic Support	12,548,310	10,403,745	11,825,689
Student Services	17,362,325	16,483,750	18,897,361
Institutional Support	22,828,996	18,510,799	24,212,738
Operations and Maintenance of Plant	10,447,562	9,069,796	13,379,840
Depreciation	10,925,819	10,685,934	9,858,056
Student Aid	9,060,836	5,385,988	5,483,254
Auxiliary Enterprises	15,991,329	27,671,824	18,225,819
Total Operating Expenses	<u>162,209,409</u>	<u>158,964,868</u>	<u>168,283,552</u>
NONOPERATING EXPENSES			
Interest Expense on Capital Asset-Related Debt	1,739,269	2,041,443	1,925,804
Total Expenses	<u>163,948,678</u>	<u>161,006,311</u>	<u>170,209,356</u>
CHANGE IN NET POSITION	406,656	4,818,514	(7,295,176)
Net Position-Beginning of Year	(125,638,641)	(130,457,155)	(19,133,728)
Restatement for July 1, 2017, OPEB Liability	-	-	(104,028,251)
Net Position-Beginning of Year, Restated	<u>(125,638,641)</u>	<u>(130,457,155)</u>	<u>(123,161,979)</u>
NET POSITION - END OF YEAR	<u>\$ (125,231,985)</u>	<u>\$ (125,638,641)</u>	<u>\$ (130,457,155)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the revenues earned and the expenses incurred in the fiscal year. The result is reported as an increase or decrease in net position. In accordance with Governmental Accounting Standards Board (GASB) requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations are nonoperating revenues. In addition, GASB requires classification of Pell grants, gifts, investments income and expenses, and losses on disposals of assets as nonoperating. The University classifies all of its remaining activities as operating.

Utilizing these definitions, the University realized operating losses of \$54.6 million in fiscal year 2018-19, \$45.2 million in fiscal year 2018-19, and \$58.2 million in fiscal year 2017-18. In fiscal year 2019-20 compared to the prior year, operating revenues decreased by \$6.1 million and program expenses increased by \$3.2 million.

Nonoperating revenues increased in fiscal year 2019-19 by \$4.1 million, largely due to COVID relief in the form of CARES Act Student Aid and Institutional Share (\$3.5 million) and appropriations (\$339,000).

The combination of operating and nonoperating activity resulted in Income (Loss) Before Other Revenues of (\$1.4 million) in fiscal year 2019-20 and \$3.5 million in fiscal year 2018-19. Capital revenues of \$1.8 million in fiscal year 2019-20 and \$1.3 million in fiscal year 2018-19 yielded Changes in Net Position gain of \$407,000 and \$4.8 million, respectively. The University's net position across all fund categories at the end of fiscal year 2019-20 was (\$125.2 million).

Millersville University of Pennsylvania of the State System of Higher Education

Statement of Cash Flows - Primary institution

Years Ended June 30, 2020, 2019, 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (60,675,409)	\$ (37,640,754)	\$ (37,728,558)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	54,219,923	47,401,499	46,894,746
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	(8,003,222)	(11,994,452)	(15,113,665)
CASH FLOWS FROM INVESTING ACTIVITIES	<u>2,093,391</u>	<u>2,317,513</u>	<u>1,740,606</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,365,317)	83,806	(4,206,871)
Cash and Cash Equivalents--Beginning	<u>67,669,643</u>	<u>67,585,837</u>	<u>71,792,708</u>
CASH AND CASH EQUIVALENTS--ENDING	<u>\$ 55,304,326</u>	<u>\$ 67,669,643</u>	<u>\$ 67,585,837</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

Statement of Cash Flows

This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of the University. It may be used to determine the University's ability to generate future net cash flows and meet its obligations as they come due, as well as its possible need for external financing.

GASB defines four major sources of cash flows:

- Cash flows from operating activities (student related revenues, payments to suppliers, employees, etc.)
- Cash flows from noncapital financing activities (state appropriations, gifts, nonoperating grants, student loan processing, etc.)
- Cash flows from capital financing activities (capital appropriations, leases, debt, purchases and sales of assets, etc.)
- Cash flows from investing activities (proceeds from sales of investments, interest on investments, purchase of investments, etc.)

Cash decreased by \$12.3 million in fiscal year 2019-20 mainly due to a misclassification of disbursed Federal PLUS loan proceeds due to the university, reclassified in fiscal year 2020-21 for \$12.5 million. Cash used by operating activities (\$60.7 million), and cash used by capital financing activities (\$8.0 million), were offset by inflows from noncapital financing activities of \$54.2 million. Investing activities provided \$2.1 million in cash. Cash remained static in fiscal year 2018-19 relative to the prior year.

Future Economic Factors

Several conditions could limit the University's financial flexibility in fiscal year 2020-2021 and beyond:

1. State Appropriations – Following several years of declining or flat state appropriations, recent trends are for slight annual increases in state appropriation levels. Nevertheless, the Commonwealth of Pennsylvania remains near the bottom of all states for its state funding levels per student and financial pressures on state government could result in future reductions in state support.
2. Increasing competition for traditional student enrollments – Millersville remains a standout institution within PASSHE, due to a long-standing reputation for solid academics, a safe campus, and a welcoming environment. Millersville has strong geographic advantages due to its central regional location and its close proximity to the vibrant city of Lancaster. The Commonwealth of Pennsylvania is projected to experience a 5% decline in traditional high school graduates from 2018-30. [i] During that same period of time, the University is projected to experience a decrease within the ten primary counties we serve (York, Lancaster, Berks, Chester, Montgomery, Cumberland, Dauphin, Delaware, Philadelphia and Bucks). Only Lancaster County (+4.7%) and Philadelphia County (+23.5%) are projected to experience an increase in traditional high school graduates. [ii] Within our primary out-of-state markets (NJ, DE, MD, and VA) the number of traditional high school graduates are projected to increase in Maryland and Virginia and are

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forecasted to have a slight decrease in New Jersey and Delaware. Competition among both public and private colleges and universities to maintain or increase enrollments will grow under these market conditions, requiring the university to be strategic in the areas of scholarship, marketing, financial aid, recruitment, and program development.

- i Western Interstate Commission for Higher Education
- ii Source: Pennsylvania State Data Center, 2012

3. New business models – Like an increasing number of public colleges and universities, Millersville University relies largely on tuition and fee revenues to support its operations and must compete successfully for enrollments in multiple student markets including traditional residential undergraduate, graduate, online, and nontraditional student markets. Millersville has implemented a per credit tuition rate structure for its graduate and in-state undergraduate students, providing significant additional revenues compared to traditional pricing structures. Maintaining access for those students least able to afford costs of attendance will require Millersville to expand institutional financial aid and need-based scholarships.
4. Facilities maintenance and upgrades – While the condition of the University's physical plant is very good, a significant portion of the University's available unrestricted current fund balance will be needed to support planned facility major maintenance in the future. Millersville University has completed a campus master plan, its first new comprehensive facilities master plan in a decade, including a facility condition assessment. Millersville University's reliance on a relatively large number of structures originally built as residences, and the historic preservation protection of many of these structures, results in higher maintenance and operating costs for the campus.
5. Increased costs for salaries and benefits mandated by collective bargaining agreements – Fiscal year 2018-19 was the final year of current collective bargaining agreements for University faculty. For several contracts, fiscal year 2019-20 saw little to no increases. The contracts will significantly impact personnel expenses in the 2nd and 3rd years of the contract. These multi-year contracts are negotiated by the State System or the Commonwealth; the historical financial impact has been a continuing increase in compensation levels (salaries and benefits) not tied to growth or contraction in the revenues and appropriations realized by the University. Because compensation constitutes such a significant portion of operating costs, if Millersville University fails to increase revenues as compensation costs increase, it may be necessary to reduce staffing levels.
6. Increases in employer retirement contributions – While employer retirement contribution rates had held steady for many years, the era of low and relatively stable employer contribution rates for the State Employee Retirement System (SERS) ended starting in fiscal year 2010-11. Due to the current economic environment, retirement enhancements previously enacted by the state legislature, decisions by the SERS Board to defer funding obligations, and previous investment losses, rates are projected to rise significantly over the next several years.
7. Increased health care costs – As has occurred at the national level, health care costs for the University have increased significantly in recent years and are projected to increase further, albeit at a slower rate. Beginning with fiscal year 2005-06, State System employees (including those of the University) began to contribute to the cost of health care. The State System also implemented a Health Care Cost Containment Committee to study ways to contain costs while providing quality

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

services to employees. During fiscal year 2015-16, nonrepresented (management) employee contributions to health care coverage increased and plans were modified to decrease costs. These plan modifications are projected to yield net cost decreases to the State System and University going forward.

8. Uncertainties concerning COVID-19 and the coronavirus pandemic – The pandemic of 2020 continues to unfold at this writing, with global cases and deaths increasing. Recovery from the economic impacts of the pandemic to date will likely take many years with impacts on individuals, families, state and municipal governments, and national governments around the world. In all things, and especially to maintain the resilience to effectively address a changing and fluid world, Millersville University turns to its core values of Exploration, Public Mission, Professionalism, Integrity, Inclusion, and Compassion. Regardless of the complexity or severity of the challenges we face, these values serve the institution and its leadership well. We shall survive, and prevail.

The factors mentioned above could reduce the University's flexibility beginning in the current fiscal year and might necessitate alternative and less costly methods of providing some support services. The University is currently exploring various options for streamlining administrative support functions and leveraging partnerships with other State System institutions to develop more cost-effective shared service delivery models.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Guilbert Brown
Interim Vice President for Administration & Finance
Dilworth Building
Millersville University
Millersville PA 17551

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS — PRIMARY INSTITUTION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 55,304,326	\$ 67,669,643
Accounts Receivable:		
Governmental Grants and Contracts	13,154,494	324,455
Students, Net of Allowance for Doubtful Accounts of \$1,505,322 in 2020 and \$1,669,729 in 2019	2,813,370	3,285,544
Other, Net of Allowance for Doubtful Accounts of \$35,111 in 2020 \$42,962 in 2019	329,694	249,116
Interest Income Receivable	106,547	108,491
Inventory	99,819	98,422
Prepaid Expenses	1,096,699	814,771
Loans Receivable, Net of Allowance for Doubtful Accounts of \$263 in 2020 and \$353 in 2019	215,251	215,523
Due from Component Units	6,661,767	4,366,049
Other Assets	43,345	57,526
Total Current Assets	79,825,312	77,189,540
NONCURRENT ASSETS		
Investments	3,328,751	3,300,570
Beneficial Interests	7,969,102	8,167,857
Loans Receivable, Net	540,476	654,999
Capital Assets, Net	126,289,858	134,217,641
Total Noncurrent Assets	138,128,187	146,341,067
 Total Assets	 217,953,499	 223,530,607
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding of Debt	178,768	217,084
Deferred Outflows from SERS Contributions	9,028,490	17,592,621
Deferred Outflows from PSERS Contributions	1,005,776	1,031,000
Deferred Outflows from OPEB Contributions	8,303,106	8,277,427
Total Deferred Outflows of Resources	18,516,140	27,118,132
 Total Assets and Deferred Outflows of Resources	 \$ 236,469,639	 \$ 250,648,739

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS — PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2020 AND 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,076,108	\$ 13,232,735
Unearned Revenue	5,612,929	1,766,774
Students' Deposits	437,465	467,173
Workers' Compensation, Current	467,598	528,800
Compensated Absences, Current	1,122,101	914,667
Other Postemployment Benefits Liability, Current	4,409,032	5,057,194
Capital Lease Obligations, Current	680,362	716,102
Current Portion of Bonds Payable, Net	4,242,057	4,608,303
Due to System, Academic Facilities Renovation Bond Program (AFRP)	139,732	309,719
Due to Component Units	505,128	699,932
Total Current Liabilities	29,692,512	28,301,399
NONCURRENT LIABILITIES		
Workers' Compensation, Net of Current Portion	510,061	659,675
Compensated Absences, Net of Current Portion	9,368,423	8,430,659
Other Postemployment Benefits Liability, Net of Current Portion	130,658,926	150,075,080
Net Pension Liability	79,813,689	90,674,273
Capital Lease Obligations, Net of Current Portion	1,834,147	2,484,592
Bonds Payable, Net of Current Portion	39,950,046	43,722,860
Due to System, AFRP	327,261	466,992
Other Noncurrent Liabilities	4,350,189	4,732,024
Total Noncurrent Liabilities	266,812,742	301,246,155
Total Liabilities	296,505,254	329,547,554
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding of Debt	207,760	84,528
Deferred Inflows from SERS Contributions	7,760,621	2,023,466
Deferred Inflows from PSERS Contributions	297,233	173,609
Deferred Inflows from OPEB Contributions	56,930,756	44,458,223
Total Deferred Inflows of Resources	65,196,370	46,739,826
Total Liabilities and Deferred Inflows of Resources	361,701,624	376,287,380
NET POSITION		
Net Investment in Capital Assets	75,546,473	78,308,853
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	2,258,088	2,361,421
Other	265,197	371,753
Expendable:		
Scholarships and Fellowships	8,556,671	8,181,880
Research	47,952	46,322
Capital Projects	1,248,402	582,886
Other	9,170,199	8,899,377
Unrestricted (Deficit)	(222,324,967)	(224,391,133)
Total Net Position	(125,231,985)	(125,638,641)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 236,469,639	\$ 250,648,739

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tuition and Fees	\$ 86,067,427	\$ 86,608,713
Less: Scholarship Discounts and Allowances	<u>(13,060,016)</u>	<u>(14,785,063)</u>
Net Tuition and Fees	73,007,411	71,823,650
Governmental Grants and Contracts:		
Federal	6,009,294	5,178,365
State	6,215,493	6,094,581
Local	30,036	8,919
Nongovernmental Grants and Contracts	144,074	290,652
Sales and Services of Educational Departments	2,384,079	3,079,332
Auxiliary Enterprises, Net	19,238,686	26,390,744
Other Revenues	<u>620,136</u>	<u>867,992</u>
Total Operating Revenues	107,649,209	113,734,235
OPERATING EXPENSES		
Instruction	56,908,637	55,522,627
Research	516,176	835,689
Public Service	5,619,419	4,394,716
Academic Support	12,548,310	10,403,745
Student Services	17,362,325	16,483,750
Institutional Support	22,828,996	18,510,799
Operations and Maintenance of Plant	10,447,562	9,069,796
Depreciation	10,925,819	10,685,934
Student Aid	9,060,836	5,385,988
Auxiliary Enterprises	<u>15,991,329</u>	<u>27,671,824</u>
Total Operating Expenses	162,209,409	158,964,868
NET OPERATING LOSS	(54,560,200)	(45,230,633)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	35,567,379	34,805,234
Federal and State Appropriations and Grants- COVID	3,854,725	-
Commonwealth on Behalf Contributions to PSERS	859,663	747,849
Pell Grant	9,010,250	9,372,256
Investment Income, Net of Related Investment		
Expense of \$16,097 in 2020 and \$15,528 in 2019	2,117,373	2,330,530
Unrealized Gain (Loss) on Investments	(196,500)	143,467
Gifts for Other than Capital Purposes	3,664,947	3,291,407
Interest Expense	(1,739,269)	(2,041,443)
Loss on Disposal of Assets	(112,189)	(27,106)
Other Nonoperating Revenue	<u>112,487</u>	<u>128,433</u>
Nonoperating Revenues, Net	53,138,866	48,750,627
INCOME (LOSS) BEFORE OTHER REVENUES	(1,421,334)	3,519,994
OTHER REVENUES		
State Appropriations, Capital	1,434,521	1,237,908
Capital Gifts and Grants	<u>393,469</u>	<u>60,612</u>
Total Other Revenues	1,827,990	1,298,520
INCREASE IN NET POSITION	406,656	4,818,514
Net Position - Beginning of Year, As Restated	<u>(125,638,641)</u>	<u>(130,457,155)</u>
NET POSITION - END OF YEAR	<u>\$ (125,231,985)</u>	<u>\$ (125,638,641)</u>

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS — PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 73,310,711	\$ 71,510,948
Grants and Contracts	1,466,029	12,045,764
Payments to Suppliers for Goods and Services	(39,216,115)	(39,614,513)
Payments to Employees	(106,703,322)	(105,838,916)
Loans Collected from Students	110,900	220,162
Student Aid	(9,060,836)	(5,385,988)
Auxiliary Enterprise Charges	19,309,694	26,217,454
Sales and Services of Educational Departments	2,536,172	2,963,900
Other Receipts (Payments)	<u>(2,428,642)</u>	<u>240,435</u>
Net Cash Used by Operating Activities	<u>(60,675,409)</u>	<u>(37,640,754)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations, Including Federal ARRA	38,015,240	34,805,234
Gifts and Nonoperating Grants for Other than Capital Purposes	16,190,893	12,680,398
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	63,019,217	66,277,454
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(63,019,217)	(66,277,454)
Agency Transactions	(98,697)	(212,568)
Other	<u>112,487</u>	<u>128,435</u>
Net Cash Provided by Noncapital Financing Activities	<u>54,219,923</u>	<u>47,401,499</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	7,186,735	924,769
Capital Appropriations	1,434,521	1,237,908
Capital Gifts and Grants Received	157,247	31,953
Purchases of Capital Assets	(2,855,295)	(6,304,236)
Principal Paid on Debt and Leases	(11,590,660)	(5,357,355)
Interest Paid on Debt and Leases	<u>(2,335,770)</u>	<u>(2,527,491)</u>
Net Cash Used by Capital Financing Activities	<u>(8,003,222)</u>	<u>(11,994,452)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,119,318	2,328,978
Purchase of Investments	<u>(25,927)</u>	<u>(11,465)</u>
Net Cash Provided by Investing Activities	<u>2,093,391</u>	<u>2,317,513</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(12,365,317)</u>	<u>83,806</u>
Cash and Cash Equivalents - Beginning of Year	<u>67,669,643</u>	<u>67,585,837</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 55,304,326</u></u>	<u><u>\$ 67,669,643</u></u>

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS — PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (54,560,200)	\$ (45,230,633)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	10,925,819	10,685,934
Expenses Paid by Commonwealth	859,663	747,849
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:		
Receivables, Net	(12,201,877)	(356,407)
Inventory	(1,397)	122
Prepaid Expenses and Other Assets	(2,796,133)	(1,123,629)
Accounts Payable and Accrued Expenses	(1,078,825)	247,274
Unearned Revenue	1,726,630	(21,796)
Students' Deposits	68,990	249,163
Compensated Absences	1,145,198	90,709
Loans Receivable	110,900	220,162
Postretirement Benefit Obligations	(20,064,316)	(30,279,002)
Net Pension Liability	(10,860,584)	12,166,003
Deferred Outflows of Resources Related to Pensions	8,589,355	(6,391,520)
Deferred outflows of resources related to OPEB	(25,680)	(3,591,315)
Deferred Inflows of Resources Related to Pensions	5,860,779	(3,668,659)
Deferred inflows of resources related to OPEB	12,472,533	28,498,988
Other Current and Noncurrent Liabilities	(846,264)	116,003
Net Cash Used by Operating Activities	\$ (60,675,409)	\$ (37,640,754)
 SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES		
Capital Assets Acquired through Capital Leases	\$ 18,707	\$ 2,853,192
Accounts Payable Incurred for Capital Assets	\$ -	\$ 16,522
Donated Capital Assets	\$ 236,222	\$ 28,659
Like-Kind Exchanges	\$ -	\$ 5,818
Commonwealth on Behalf Contributions to PSERS	\$ 859,663	\$ 747,849

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF NET ASSETS — COMPONENT UNITS
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 32,379,461	\$ 31,500,465
Investments	41,656,666	37,481,178
Accounts Receivable	963,880	645,229
Pledges Receivable	4,534,978	1,665,774
Due from University	505,128	699,932
Net Capital Assets	144,926,418	149,991,983
Other Assets	907,105	955,555
Total Assets	\$ 225,873,636	\$ 222,940,116
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,776,591	\$ 3,404,257
Annuity Liabilities	163,550	165,816
Due to University	6,454,056	4,366,049
Funds Held for Other Independent Organizations	9,906	418,717
Interest Rate Swap Agreements	2,523,490	961,648
Bonds Payable	139,012,884	140,703,195
Notes Payable	26,694,473	27,995,336
Other Liabilities	9,577,557	8,598,242
Total Liabilities	187,212,507	186,613,260
NET ASSETS		
Without Donor Restrictions	(5,282,937)	21,255
With Donor Restrictions	43,944,066	36,305,601
Total Net Assets	38,661,129	36,326,856
Total Liabilities and Net Assets	\$ 225,873,636	\$ 222,940,116

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF ACTIVITIES — COMPONENT UNITS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Changes in Net Assets Without Donor Restrictions		
Revenues and Other Additions:		
Contributions	\$ 407,755	\$ 696,474
Sales and Services	2,435,883	2,645,058
Investment Income	(84,592)	(73,727)
Change in Value of Charitable Gift Annuities	(16,262)	(21,631)
Change in Value of Fair Value of Interest Rate Swaps	(1,561,842)	(1,608,016)
Rental Income	19,479,742	23,067,118
Other Revenues and Gains	707,832	79,549
Net Assets Released from Restrictions	1,700,117	1,549,983
Total Revenues and Other Additions	23,068,633	26,334,808
Expenses and Other Deductions:		
Program Services:		
Scholarships and Grants	1,380,260	1,241,818
University Stores	1,362,755	1,240,052
Housing	21,475,619	22,115,424
Other Programs	1,224,554	1,356,426
Management and General	2,839,224	2,510,490
Fundraising	140,116	358,215
Total Expenses and Other Deductions	28,422,528	28,822,425
Other Expenses and Losses	(49,703)	91,073
Changes in Net Assets Without Donor Restrictions	(5,304,192)	(2,578,690)
Changes in Net Assets With Donor Restrictions		
Contributions	8,264,503	1,282,986
Investment Income	769,102	688,446
Net Realized and Unrealized Gains	310,216	1,024,951
Other Revenues and Gains	(5,239)	1,607
Net Assets Released from Restrictions	(1,700,117)	(1,549,983)
Changes in Net Assets With Donor Restrictions	7,638,465	1,448,007
CHANGE IN TOTAL NET ASSETS	2,334,273	(1,130,683)
Net Assets - Beginning of Year	36,326,856	37,457,539
NET ASSETS - END OF YEAR	\$ 38,661,129	\$ 36,326,856

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMPONENT UNITS' EXPENSES BY NATURE AND FUNCTION
YEARS ENDED JUNE 30, 2020 AND 2019**

2020		Program Activities				Supporting Activities			
<u>Natural Expense</u>	Scholarships and Grants	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	\$ -	\$ 1,022,597	\$ 2,202,903	\$ -	\$ 3,225,500	\$ 1,725,535	\$ -	\$ 1,725,535	\$ 4,951,035
Gifts and Grants	1,380,260	-	208,083	1,223,791	2,812,134	-	-	-	2,812,134
Supplies and Travel	-	40,117	23,994	-	64,111	18,762	67,330	86,092	150,203
Services and Professional Fees	-	6,093	790,602	763	797,458	874,027	202,683	1,076,710	1,874,168
Office and Occupancy	-	156,524	4,897,248	-	5,053,772	90,701	-	90,701	5,144,473
Depreciation	-	41,767	5,609,819	-	5,651,586	17,519	-	17,519	5,669,105
Interest	-	-	7,539,935	-	7,539,935	-	-	-	7,539,935
Other	-	95,657	203,035	-	298,692	112,680	(129,897)	(17,217)	281,475
Total Expenses	<u>\$ 1,380,260</u>	<u>\$ 1,362,755</u>	<u>\$ 21,475,619</u>	<u>\$ 1,224,554</u>	<u>\$ 25,443,188</u>	<u>\$ 2,839,224</u>	<u>\$ 140,116</u>	<u>\$ 2,979,340</u>	<u>\$ 28,422,528</u>
2019		Program Activities				Supporting Activities			
<u>Natural Expense</u>	Scholarships and Grants	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	\$ -	\$ 882,084	\$ 2,164,328	\$ -	\$ 3,046,412	\$ 1,462,929	\$ -	\$ 1,462,929	\$ 4,509,341
Gifts and Grants	1,241,818	4,250	276,400	1,355,304	2,877,772	-	-	-	2,877,772
Supplies and Travel	-	25,140	47,686	-	72,826	27,628	64,086	91,714	164,540
Services and Professional Fees	-	8,225	914,561	1,122	923,908	793,932	155,508	949,440	1,873,348
Office and Occupancy	-	189,713	5,275,682	-	5,465,395	79,662	-	79,662	5,545,057
Depreciation	-	43,028	5,574,552	-	5,617,580	16,692	-	16,692	5,634,272
Interest	-	-	7,667,051	-	7,667,051	-	-	-	7,667,051
Other	-	87,612	195,164	-	282,776	129,647	138,621	268,268	551,044
Total Expenses	<u>\$ 1,241,818</u>	<u>\$ 1,240,052</u>	<u>\$ 22,115,424</u>	<u>\$ 1,356,426</u>	<u>\$ 25,953,720</u>	<u>\$ 2,510,490</u>	<u>\$ 358,215</u>	<u>\$ 2,868,705</u>	<u>\$ 28,822,425</u>

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Millersville University of Pennsylvania of the State System of Higher Education (the University), a public four-year institution located in Millersville, Pennsylvania, was founded in 1855. The University is one of fourteen universities of Pennsylvania's State System of Higher Education (the State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

Reporting Entity

The University functions as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB).

The University has determined the Millersville University Foundation (the Foundation); Student Services, Inc.; and Student Lodging, Inc. should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related. The financial activity of these component units are presented as of June 30, 2020 and 2019.

Foundation

The Foundation is a tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the University by the donors.

During the years ended June 30, 2020 and 2019, the Foundation distributed \$1,524,662 and \$1,432,768, respectively to the University for both restricted and unrestricted purposes. As of June 30, 2020 and 2019, the Foundation has accounts payable to the University of \$12,572 and \$10,583, respectively.

Student Services, Inc.

Student Services, Inc. (the Corporation) is a tax-exempt entity that was formed to provide services not readily available through the University to students. These services include a retail bookstore, copy shop, conferences, vending, laundry, technical operations, and miscellaneous other services. Because the economic resources received and held by Student Services are for the direct benefit of the University and the influence of the University over Student Services, Student Services is considered a component unit of the University and is included within the University's financial reporting entity.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Reporting Entity (Continued)

Student Services, Inc. (Continued)

Under agreements between the Corporation and the University, the University manages the day-to-day operations of the facilities, including the hiring of employees, marketing, contracting for services, maintenance and repair, and other required matters. In addition, the University bills students and collects the rental revenue. The University deposits these amounts in the Revenue Fund, created pursuant to the trust indentures associated with the bonds, which is included in restricted cash. The University is reimbursed for its expenses in connection with the management and operation of the project. As part of the consideration under the ground lease, the Corporation pays the University an annual base rent and percentage rent equal to 15% of the net available cash flow (as defined in the ground lease agreement) from the student housing project.

During the years ended June 30, 2020 and 2019, respectively, the University received rental income in the amounts of \$28,861 and \$28,020. In addition, the University received \$2,668,336 and \$2,794,098 during the years ended June 30, 2020 and 2019, respectively, for management costs associated with student housing facilities owned by the Corporation. The University also received percentage rental income of \$0 and \$299,173 during the years ended June 30, 2020 and 2019, respectively. Percentage income relates to administration related rental operations. Rental expense paid to the Corporation for the years ended June 30, 2020 and 2019 was \$12,867,082 and \$16,258,306, respectively. The total amounts due to the University at June 30, 2020 and 2019 were \$5,386,517 and \$3,096,593, respectively. Amounts due from the University at June 30, 2020 and 2019 were \$103,731 and \$85,989, respectively. Student Services, Inc. made contributions to the University of \$960,304 and \$1,081,855 during the years ended June 30, 2020 and 2019, respectively.

Student Services, Inc. also performs various administrative services for University student organizations. The total amounts due to the University related to student organizations at June 30, 2020 and 2019 were \$1,054,967 and \$1,258,873, respectively.

Student Lodging, Inc.

Student Lodging, Inc. is a tax-exempt entity that was formed for the purpose of purchasing an apartment complex and other property to provide housing for students of the University. Because the economic resources received and held by Student Lodging are for the direct benefit of the University and the influence of the University over Student Lodging, Student Lodging is considered a component unit of the University and is included within the University's financial reporting entity.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Reporting Entity (Continued)

Student Lodging, Inc. (Continued)

On May 29, 2012, the University entered into several leases with Student Lodging, Inc. for the use of certain buildings and office space. In addition, on December 11, 2012, the University entered into an agreement with Student Lodging, Inc. for the use of Shenks Hall and Reighard Hall. The University collects rent and reimburses Student Lodging, Inc. for expenses on a quarterly basis. The University also remits a portion of total profits to Student Lodging, Inc. During the fiscal years ended June 30, 2020 and 2019, rental payments amounted to \$1,687,097 and \$2,004,202, respectively. During the years ended June 30, 2020 and 2019 the University received contributions from Student Lodging, Inc. of \$198,500 and \$264,800, respectively. Amounts due to Student Lodging, Inc. included rents payable at June 30, 2020 and 2019 in the amounts of \$401,397 and \$613,943.

Complete financial statements for the Millersville University Foundation; Student Services, Inc.; and Student Lodging, Inc. may be obtained at the University's Accounting Office.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Foundation; Student Services, Inc.; and Student Lodging, Inc. are private nonprofit organizations, reported in accordance with Financial Accounting Standards (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, an amendment of FASB Codification Topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Operating Revenues and Expenses

Operating revenues of the University consist of tuition, all academic, instructional and other student fees, student financial aid, auxiliary activity; corporate partnerships; and revenue from cogeneration sales. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the University are recorded as operating revenue. All expenses, with the exception of interest expense, loss on investments, loss on the disposal of assets, and extraordinary expenses are recorded as operating expenses. Appropriations, gifts, investment income, capital grants, gains on investments, gains on the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

Scholarships and Waivers

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), the University allocates the cost of scholarships, waivers, and other student financial aid between discounts and allowances (netted against tuition and fees) and student aid expense. Scholarships and waivers of room and board fees are reported in auxiliary enterprises. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

Net Position

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The University maintains the following classifications of net position.

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – Nonexpendable – The portion of net position subject to externally imposed conditions requiring that it be maintained by the University in perpetuity.

Restricted – Expendable – The portion of net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted – All other categories of net position. Unrestricted net position may be designated for specific purposes by the University's Council of Trustees.

When both restricted and unrestricted funds are available for expenditure, the decision as to which assets are used first is left to the discretion of the University.

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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash Equivalents and Investments

The University considers all demand and time deposits and money market funds to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. The University classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

Accounts and Loans Receivable

Accounts and loans receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources.

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Inventory

Inventory consists mainly of supplies and is stated at the lower of average cost or market.

Capital Assets

Land and buildings at the University's campus acquired or constructed prior to the creation of the State System on July 1, 1983 are owned by the Commonwealth and made available to the University. Since the University neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed utilizing capital funds appropriated by the Commonwealth after June 30, 1983, and made available to the University.

All assets with an individual purchase cost, or fair value if acquired by gift, in excess of \$5,000 with an estimated useful life of two years or greater are capitalized. Buildings, portions of buildings, and capital improvements acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation. Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under capital leases is included in depreciation expense. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets (Continued)

The University does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2020 or 2019.

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

Compensated Absences

The estimated cost of future payouts of annual leave and sick leave that employees have earned for services rendered, and which the employees may be entitled to receive upon termination or retirement, is recorded as a liability.

Pension Plans and OPEB Plans

Eligible employees of the State System enroll in one of three available pension plans immediately upon employment. The State System also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. 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.

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans. 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.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

The University, as a member of the State System, is tax exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on the previously reported net position or changes therein.

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the University in future years. The University is evaluating the impact of the adoption of certain of these standards on its financial statements as discussed below.

In May 2020, GASB issued Statement No. 95, *Postponement of Effective Dates*, which is effective immediately. Statement 95 provides relief to governments and other stakeholders in light of the COVID-19 pandemic. It postpones the following standards, which are evaluated below, by one year from the original effective date: Statements 84, 89, 92, and 93. It postpones the effective date of Statement 87 by 18 months. Statement 94 and those issued after were not affected by Statement 95.

In January 2017, GASB issued statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 84 are effective for reporting periods beginning after December 15, 2019.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in a similar manner as capital leases, with assets and liabilities recorded at lease inception. The University has determined that, although Statement No. 87 will change the way it accounts for its operating leases, it will have little, if any, effect on its net position or results of operations. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

New Accounting Standards (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. The University has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of LIBOR. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 93 are effective for the fiscal year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of Statement No. 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The objective of Statement No. 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objective of Statement No. 97 is to address situations in which a primary government is financially accountable for its fiduciary component unit if there is no governing board over the unit and therefore the government takes up the role of the board. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 97 are effective for the fiscal years beginning after June 15, 2021.

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JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Outflows and Deferred Inflows of Resources

The balance sheet reports separate sections for *deferred outflows of resources and deferred inflows of resources*.

Deferred outflows of resources, reported after *total assets*, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred inflows of resources*, reported after *total liabilities*, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s).

Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The University is required to report the following as deferred outflows of resources or deferred inflows of resources.

- Deferred gain or loss on bond refunding, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.
- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities to the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and University pension and OPEB contributions subsequent to the pension valuation measurement date.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2020 AND 2019**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

The following represents combining condensed statement of net assets information for the component units as of June 30, 2020:

	<u>Foundation</u>	<u>Student Services</u>	<u>Student Lodging</u>	<u>Total</u>
Assets:				
Cash and Cash Equivalents	\$ 1,244,330	\$ 27,188,165	\$ 3,946,966	\$ 32,379,461
Capital Assets, Net	-	112,953,047	31,973,371	144,926,418
Investments	41,656,666	-	-	41,656,666
Due from University	-	103,731	401,397	505,128
Other Assets	<u>4,806,821</u>	<u>1,348,436</u>	<u>250,706</u>	<u>6,405,963</u>
Total Assets	<u>\$ 47,707,817</u>	<u>\$ 141,593,379</u>	<u>\$ 36,572,440</u>	<u>\$ 225,873,636</u>
Liabilities:				
Accounts Payable	\$ 17,100	\$ 2,068,050	\$ 691,441	\$ 2,776,591
Long-Term Debt	-	139,012,884	26,694,473	165,707,357
Due to University	12,572	6,441,484	-	6,454,056
Funds Held for Other Independent Organizations	-	9,906	-	9,906
Other Liabilities	<u>2,972,128</u>	<u>5,387,451</u>	<u>3,905,018</u>	<u>12,264,597</u>
Total Liabilities	<u>3,001,800</u>	<u>152,919,775</u>	<u>31,290,932</u>	<u>187,212,507</u>
Net Assets:				
Without Donor Restrictions	761,951	(11,326,396)	5,281,508	(5,282,937)
With Donor Restrictions	<u>43,944,066</u>	<u>-</u>	<u>-</u>	<u>43,944,066</u>
Total Net Assets	<u>44,706,017</u>	<u>(11,326,396)</u>	<u>5,281,508</u>	<u>38,661,129</u>
Total	<u>\$ 47,707,817</u>	<u>\$ 141,593,379</u>	<u>\$ 36,572,440</u>	<u>\$ 225,873,636</u>

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining condensed statement of net assets information for the component units as of June 30, 2019:

	<u>Foundation</u>	<u>Student Services</u>	<u>Student Lodging</u>	<u>Total</u>
Assets:				
Cash and Cash Equivalents	\$ 529,687	\$ 27,834,014	\$ 3,136,764	\$ 31,500,465
Capital Assets, Net	-	116,660,101	33,331,882	149,991,983
Investments	37,481,178	-	-	37,481,178
Due from University	-	85,989	613,943	699,932
Other Assets	<u>1,744,357</u>	<u>1,257,333</u>	<u>264,868</u>	<u>3,266,558</u>
Total Assets	<u>\$ 39,755,222</u>	<u>\$ 145,837,437</u>	<u>\$ 37,347,457</u>	<u>\$ 222,940,116</u>
Liabilities:				
Accounts Payable	\$ 720	\$ 3,186,735	\$ 216,802	\$ 3,404,257
Long-Term Debt	-	140,703,195	27,995,336	168,698,531
Due to University	10,583	4,355,466	-	4,366,049
Funds Held for Other Independent Organizations	-	418,717	-	418,717
Other Liabilities	<u>2,909,202</u>	<u>4,623,991</u>	<u>2,192,513</u>	<u>9,725,706</u>
Total Liabilities	<u>2,920,505</u>	<u>153,288,104</u>	<u>30,404,651</u>	<u>186,613,260</u>
Net Assets:				
Without Donor Restrictions	529,116	(7,450,667)	6,942,806	21,255
With Donor Restrictions	<u>36,305,601</u>	<u>-</u>	<u>-</u>	<u>36,305,601</u>
Total Net Assets	<u>36,834,717</u>	<u>(7,450,667)</u>	<u>6,942,806</u>	<u>36,326,856</u>
Total	<u>\$ 39,755,222</u>	<u>\$ 145,837,437</u>	<u>\$ 37,347,457</u>	<u>\$ 222,940,116</u>

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining condensed statement of activities for the component units for year ended June 30, 2020:

	<u>Foundation</u>	<u>Services</u>	<u>Lodging</u>	<u>Total</u>
Changes in Net Assets Without Donor Restrictions				
Revenues and Other Additions:				
Contributions	\$ 407,755	\$ -	\$ -	\$ 407,755
Sales and Services	-	2,435,883	-	2,435,883
Investment Income	(95,672)	-	11,080	(84,592)
Change in Value of Charitable Gift Annuities	(16,262)	-	-	(16,262)
Change in Value of Fair Value of Interest Rate Swaps	-	-	(1,561,842)	(1,561,842)
Rental Income	-	13,081,320	6,398,422	19,479,742
Other Revenues and Gains	-	690,944	16,888	707,832
Net Assets Released from Restrictions	<u>1,700,117</u>	<u>-</u>	<u>-</u>	<u>1,700,117</u>
Total Revenues and Other Additions	<u>1,995,938</u>	<u>16,208,147</u>	<u>4,864,548</u>	<u>23,068,633</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	1,380,260	-	-	1,380,260
University Stores	-	1,362,755	-	1,362,755
Housing	-	15,380,046	6,095,573	21,475,619
Other Programs	-	1,224,554	-	1,224,554
Management and General	242,727	2,166,224	430,273	2,839,224
Fundraising	<u>140,116</u>	<u>-</u>	<u>-</u>	<u>140,116</u>
Total Expenses and Other Deductions	<u>1,763,103</u>	<u>20,133,579</u>	<u>6,525,846</u>	<u>28,422,528</u>
Other Expenses and Losses	<u>-</u>	<u>(49,703)</u>	<u>-</u>	<u>(49,703)</u>
Change in Net Assets Without Donor Restrictions	232,835	(3,875,729)	(1,661,298)	(5,304,192)
Changes in Net Assets With Donor Restrictions				
Contributions	8,264,503	-	-	8,264,503
Investment Income	769,102	-	-	769,102
Net Realized and Unrealized Gains	310,216	-	-	310,216
Other Expenses and Losses	(5,239)	-	-	(5,239)
Net Assets Released from Restrictions	<u>(1,700,117)</u>	<u>-</u>	<u>-</u>	<u>(1,700,117)</u>
Change in Net Assets With Donor Restrictions	<u>7,638,465</u>	<u>-</u>	<u>-</u>	<u>7,638,465</u>
CHANGE IN TOTAL NET ASSETS	7,871,300	(3,875,729)	(1,661,298)	2,334,273
Net Assets - Beginning of Year	<u>36,834,717</u>	<u>(7,450,667)</u>	<u>6,942,806</u>	<u>36,326,856</u>
NET ASSETS - END OF YEAR	<u>\$ 44,706,017</u>	<u>\$ (11,326,396)</u>	<u>\$ 5,281,508</u>	<u>\$ 38,661,129</u>

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining condensed statement of activities for the component units for year ended June 30, 2019:

	Foundation	Student Services	Student Lodging	Total
Changes in Net Assets Without Donor Restrictions				
Revenues and Other Additions:				
Contributions	\$ 696,474	\$ -	\$ -	\$ 696,474
Sales and Services	-	2,645,058	-	2,645,058
Investment Income	(89,949)	-	16,222	(73,727)
Change in Value of Charitable Gift Annuities	(21,631)	-	-	(21,631)
Change in Value of Fair Value of Interest Rate Swaps	-	-	(1,608,016)	(1,608,016)
Rental Income	-	16,340,139	6,726,979	23,067,118
Other Revenues and Gains	420	48,627	30,502	79,549
Net Assets Released from Restrictions	<u>1,549,983</u>	<u>-</u>	<u>-</u>	<u>1,549,983</u>
Total Revenues and Other Additions	<u>2,135,297</u>	<u>19,033,824</u>	<u>5,165,687</u>	<u>26,334,808</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	1,241,818	-	-	1,241,818
University Stores	-	1,240,052	-	1,240,052
Housing	-	16,075,537	6,039,887	22,115,424
Other Programs	-	1,356,426	-	1,356,426
Management and General	244,779	1,883,021	382,690	2,510,490
Fundraising	<u>358,215</u>	<u>-</u>	<u>-</u>	<u>358,215</u>
Total Expenses and Other Deductions	<u>1,844,812</u>	<u>20,555,036</u>	<u>6,422,577</u>	<u>28,822,425</u>
Other Expenses and Losses	<u>-</u>	<u>91,073</u>	<u>-</u>	<u>91,073</u>
Change in Net Assets Without Donor Restrictions	290,485	(1,612,285)	(1,256,890)	(2,578,690)
Changes in Net Assets With Donor Restrictions				
Contributions	1,282,986	-	-	1,282,986
Investment Income	688,446	-	-	688,446
Net Realized and Unrealized Gains	1,024,951	-	-	1,024,951
Other Revenues and Gains	1,607	-	-	1,607
Net Assets Released from Restrictions	<u>(1,549,983)</u>	<u>-</u>	<u>-</u>	<u>(1,549,983)</u>
Change in Net Assets With Donor Restrictions	<u>1,448,007</u>	<u>-</u>	<u>-</u>	<u>1,448,007</u>
CHANGE IN TOTAL NET ASSETS	1,738,492	(1,612,285)	(1,256,890)	(1,130,683)
Net Assets - Beginning of Year	<u>35,096,225</u>	<u>(5,838,382)</u>	<u>8,199,696</u>	<u>37,457,539</u>
NET ASSETS - END OF YEAR	<u>\$ 36,834,717</u>	<u>\$ (7,450,667)</u>	<u>\$ 6,942,806</u>	<u>\$ 36,326,856</u>

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The reconciliation of differences in the due to/from accounts is as follows:

	<u>2020</u>	<u>2019</u>
Component Units Due to University:	\$ 6,454,056	\$ 4,366,049
Timing of Payments - Student Services, Inc.	207,711	-
University Due from Component Units	<u>\$ 6,661,767</u>	<u>\$ 4,366,049</u>

NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of \$1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals \$55,288,411 and \$67,653,728, at June 30, 2020 and 2019, respectively.

Board of Governors' Policy 1986-02-A, *Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the board or University trustees may be invested in the investments described above as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, universities use local financial institutions for activities such as deposits of cash. In addition, universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of the State System's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed; this includes investing in asset classes such as commodities, futures, short-sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

The State System's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See Board of Governors' Policy 1986-02-A, *Investment*, for a complete list of and more details on permissible investments and associated qualifications.)

Investment Categories	Qualifications/Moody's Ratings Requirements
United States Government Securities	Together with repurchase agreements must comprise at least 20% of the market value of the fund.
Repurchase Agreements	Underlying collateral must be direct obligations of the United States Treasury and be in the State System's or its agent's custody.
Commercial Paper	P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund.
Municipal Bonds	Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund.
Corporate Bonds	15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund.
Collateralized Mortgage Obligations (CMOs)	Must be rated Aaa and guaranteed by U.S. government. Total may not exceed 20% of the market value of the fund.
Asset-Backed Securities	Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer.
System Investment Fund Loans (University Loans and Bridge Notes)	Total may not exceed 20% of the market value of the fund, and loan terms may not exceed five years.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

CMO Risk: CMOs are sometimes based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in the State System's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates.

Modified Duration: The State System denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using modified duration. Duration is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. Modified duration takes into account changing interest rates. The State System maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term component of the operating portion of the investment portfolio. The State System's duration targets are not applicable to its long-term investments.

Fair Value Hierarchy: GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as observable or unobservable: Observable inputs are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability"; Unobservable inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

Statement No. 72's fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three "levels":

Level 1 – Investments whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market, such as stocks listed in the S&P 500 or NASDAQ. If an up-to-date price of the investment can be found on a major exchange, it is a Level 1 investment.

Level 2 – Investments whose values are based on their quoted prices in inactive markets or whose values are based on models, and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Investments that trade infrequently, and as a result do not have many reliable market prices. Valuations of Level 3 investments typically are based on management assumptions or expectations. For example, a private equity investment or complex derivative would likely be a Level 3 investment.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued):

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities 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. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments, held locally by the University, are valued based upon the unit values (NAV) of the funds held by the University at year-end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the universities have invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice. Both the Multi-Strategy Equity Fund and the Multi-Strategy Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month.

Multi-Strategy Equity Fund: The investment objective of the fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

Multi-Strategy Bond Fund: The investment objective of the fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Detailed information regarding the fair value of the State System pooled deposits and investment portfolio is available in the financial statements of the State System, which can be found at www.passhe.edu.

The University receives income from perpetual trusts held by a third party. Under the terms of the trusts, the University has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Income from these trusts is restricted for scholarships and capital and is included in interest income in the statement of revenues, expenses, and changes in net position.

The fair value of cash, cash equivalents and investments at June 30, 2020 and 2019 is as follows:

	Fair Value Hierarchy	2020	2019
Primary Institution			
Cash and Cash Equivalents:			
Noncategorized Cash:			
Cash on Hand	N/A	\$ 15,915	\$ 15,915
Deposits in PASSHE Pooled Fund	N/A	55,288,411	67,653,728
Total Cash and Cash Equivalents		<u>\$ 55,304,326</u>	<u>\$ 67,669,643</u>
Long-Term Investments-Primary Institution			
Noncategorized Long-Term Investments:			
Common Fund			
Multi-Strategy Equity Fund	NAV	\$ 1,372,584	\$ 1,372,389
Multi-Strategy Bond Fund	NAV	344,056	327,156
Cash Equivalent	3	100,748	100,465
Excess VPAC Project Gifts Invested with Foundation	3	486,047	498,856
Scholarship Funds Invested with Foundation	3	1,025,316	1,001,704
Beneficial Interest in Perpetual Trusts:	3	7,969,102	8,167,857
Total Long-Term Investments		<u>\$ 11,297,853</u>	<u>\$ 11,468,427</u>
Foundation			
Certificates of Deposit	1	\$ 3,875,659	\$ 2,073,092
Common Stocks	1	156,784	86,845
Preferred Stocks	1	26,300	26,920
Corporate Bonds	1	155,265	153,240
Collective Trust Fund	NAV	1,561,820	1,521,547
Mutual Funds	1	34,969,816	32,792,457
Private Equity Funds	NAV	911,022	827,007
Total Investments		<u>\$ 41,656,666</u>	<u>\$ 37,481,108</u>

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Primary Institution	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
2020				
Commonfund Multi-Strategy Equity Fund	\$ 1,372,584	\$ -	Monthly	5 days
Commonfund Multi-Strategy Bond Fund	344,056	-	Monthly	5 days
	<u>\$ 1,716,640</u>	<u>\$ -</u>		
2019				
Commonfund Multi-Strategy Equity Fund	\$ 1,372,389	\$ -	Monthly	5 days
Commonfund Multi-Strategy Bond Fund	327,156	-	Monthly	5 days
	<u>\$ 1,699,545</u>	<u>\$ -</u>		
Foundation				
2020				
Hedge Fund	<u>\$ 1,561,820</u>	<u>\$ -</u>	Quarterly	180 days in the first year, then 65 days
Private Equity Fund	<u>\$ 911,022</u>	<u>\$ 216,000</u>	None	None
2019				
Hedge Fund	<u>\$ 1,521,547</u>	<u>\$ -</u>	Quarterly	100 days
Private Equity Fund	<u>\$ 827,077</u>	<u>\$ 302,500</u>	None	None

Credit Risk

The University uses ratings from Moody's Investors Service, Inc. to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An *Aaa* rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with *Aa* indicate high quality obligations subject to very low credit risk; ratings that begin with *A* indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with *Baa* indicate medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of *P-1* indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of *P-2* indicates that issuers have a strong ability to repay short-term debt obligations.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure, the University would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Management believes they are not exposed to this credit risk.

Concentration of Credit Risk

The University does not have a formal investment policy for concentration of credit risk. At June 30, 2020, the University had the following investments which exceeded 5% of the University's total investments:

<u>Issuer</u>	<u>Type of Investment</u>	<u>Amount</u>	<u>Percentage of Total Long-Term Investments</u>
Common Fund	Multi-Strategy Equity Fund	\$ 1,372,584	12.15 %
Common Fund	Multi-Strategy Bond Fund	344,056	3.05

NOTE 4 CAPITAL ASSETS

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following as of June 30, 2020:

	<u>Life</u>	<u>Beginning Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Ending Balance June 30, 2020</u>
Capital Assets Not Being Depreciated						
Land		\$ 594,260	\$ -	\$ -	\$ -	\$ 594,260
Construction in Progress		6,296,760	1,390,391	-	(806,808)	6,880,343
Total Capital Assets Not Being Depreciated		6,891,020	1,390,391	-	(806,808)	7,474,603
Capital Assets Being Depreciated						
Buildings, Including Improvements	10-40	178,645,371	372,974	(358,872)	711,661	179,371,134
Improvements, Other than Buildings	20	26,661,428	516,794	-	-	27,178,222
Furnishings and Equipment, Including Capital Leases	3-10	41,758,522	816,923	(2,491,233)	95,147	40,179,359
Library Books	10	3,569,170	13,142	(384)	-	3,581,928
Total Capital Assets Being Depreciated		250,634,491	1,719,833	(2,850,489)	806,808	250,310,643
Less: Accumulated Depreciation:						
Buildings, Including Improvements		(74,910,087)	(7,094,178)	281,128	-	(81,723,137)
Land Improvements		(13,424,404)	(1,186,700)	-	-	(14,611,104)
Furnishings and Equipment Including Capital Leases		(31,508,127)	(2,611,129)	2,456,789	-	(31,662,467)
Library Books		(3,465,252)	(33,812)	384	-	(3,498,680)
Total Accumulated Depreciation		(123,307,870)	(10,925,819)	2,738,301	-	(131,495,388)
Total Capital Assets Being Depreciated, Net		127,326,621	(9,205,986)	(112,188)	806,808	118,815,255
Capital Assets, Net		\$ 134,217,641	\$ (7,815,595)	\$ (112,188)	\$ -	\$ 126,289,858

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NOTE 4 CAPITAL ASSETS (CONTINUED)

At June 30, 2020, the University capitalized interest in the amount of \$223,588.

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following as of June 30, 2019:

	Life	Beginning Balance July 1, 2018	Additions	Retirements	Reclassifications	Ending Balance June 30, 2019
Capital Assets Not Being Depreciated						
Land		\$ 594,260	\$ -	\$ -	\$ -	\$ 594,260
Construction in Progress		8,656,987	1,243,398	-	(3,603,625)	6,296,760
Total Capital Assets Not Being Depreciated		9,251,247	1,243,398	-	(3,603,625)	6,891,020
Capital Assets Being Depreciated						
Buildings, Including Improvements	10-40	175,976,192	2,407,933	(215,429)	476,675	178,645,371
Improvements, Other than Buildings	20	23,137,868	865,479	(120,936)	2,779,017	26,661,428
Furnishings and Equipment, including Capital Leases	3-10	37,184,974	4,683,529	(457,914)	347,933	41,758,522
Library Books	10	3,926,299	8,088	(365,217)	-	3,569,170
Total Capital Assets Being Depreciated		240,225,333	7,965,029	(1,159,496)	3,603,625	250,634,491
Less: Accumulated Depreciation:						
Buildings, Including Improvements		(67,906,962)	(7,201,559)	198,434	-	(74,910,087)
Land Improvements		(12,388,796)	(1,156,544)	120,936	-	(13,424,404)
Furnishings and Equipment Including Capital Leases		(29,680,247)	(2,269,865)	441,985	-	(31,508,127)
Library Books		(3,772,503)	(57,966)	365,217	-	(3,465,252)
Total Accumulated Depreciation		(113,748,508)	(10,685,934)	1,126,572	-	(123,307,870)
Total Capital Assets Being Depreciated, Net		126,476,825	(2,720,905)	(32,924)	3,603,625	127,326,621
Capital Assets, Net		<u>\$ 135,728,072</u>	<u>\$ (1,477,507)</u>	<u>\$ (32,924)</u>	<u>\$ -</u>	<u>\$ 134,217,641</u>

At June 30, 2019, the University capitalized interest in the amount of \$87,367.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
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NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Employees	\$ 9,719,933	\$ 9,757,776
Supplies and Services	2,275,228	3,385,707
Interest	80,947	89,252
Total	<u>\$ 12,076,108</u>	<u>\$ 13,232,735</u>

NOTE 6 LEASES

The University has entered into long-term operating leases for the use of facilities. Future annual minimum payments in the aggregate, under noncancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,880,623
2022	1,871,891
2023	1,800,000
Total	<u>\$ 5,552,514</u>

Total rent expense was \$2,292,819 and \$2,526,002 for the years ended June 30, 2020 and 2019, respectively.

The University has entered into lease agreements for the financing of printing equipment which have been accounted for as capital leases. Changes in capital lease obligations were as follows:

	<u>2020</u>	<u>2019</u>
Balance - July 1	\$ 3,200,694	\$ 486,507
Increases	18,707	2,853,192
Repayments	(704,892)	(139,005)
Balance - June 30	<u>\$ 2,514,509</u>	<u>\$ 3,200,694</u>

At June 30, 2020 and 2019, capital assets include equipment under capital lease of \$3,554,369 and \$3,535,661, respectively, which is reported net of accumulated depreciation of \$1,284,240 and \$574,879, respectively.

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NOTE 6 LEASES (CONTINUED)

Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 769,438
2022	687,891
2023	654,384
2024	624,701
2025	1,684
Total	<u>2,738,098</u>
Less: Amounts Representing Interest on Capital Leases	<u>(223,589)</u>
Present Value of Net Minimum Lease Payments	2,514,509
Less: Current Portion	<u>680,362</u>
Long-Term Capital Lease Obligations	<u><u>\$ 1,834,147</u></u>

NOTE 7 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the bond issuances, the State System entered into a loan agreement with PHEFA on behalf of the University under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The State System's Board of Governors has allocated portions of certain bond issuances to the University to undertake various capital projects or to advance refund certain previously issued bonds. The University is responsible for the repayment of principal and interest on its applicable portion of each obligation. The various bond series allocated to the University and their balances as of June 30, 2020 are as follows:

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NOTE 7 BONDS PAYABLE (CONTINUED)

	Weighted Average Interest Rate	Balance July 1, 2019	Bonds Issued	Bonds Redeemed	Balance June 30, 2020
Series AJ Used for SMC Recreation Center, Guaranteed Energy Savings Agreement (GESA) Project, Education Building Renovations and Infrastructure					
Final Maturity June 2029	4.85 %	\$ 7,063,930	\$ -	\$ (7,063,930)	\$ -
Series AK Used for Refunding of Series S					
Final Maturity June 2020	4.00 %	152,252	-	(152,252)	-
Series AL Used for Sprinklers and Union/Recreation Center					
Final Maturity June 2030	5.00 %	7,267,493	-	(560,939)	6,706,554
Series AM Used for Visual and Performing Arts Center					
Final Maturity June 2031	4.64 %	12,561,678	-	(881,884)	11,679,793
Series AP Used for Residence Hall Refunded AA					
Final Maturity June 2024	4.62 %	1,699,258	-	(312,134)	1,387,126
Series AQ Used for Refunding of Residence, Buildings, Infrastructure					
Final Maturity June 2026	4.61 %	7,024,771	-	(925,022)	6,099,749
Series AR Used for Dining Hall Renovations					
Final Maturity June 2035	3.92 %	8,369,014	-	(413,908)	7,955,106
Series AS Used for Infrastructure Refunded AF					
Final Maturity June 2027	3.97 %	1,210,380	-	(132,920)	1,077,460
Series AV issued in September 2018 Refund AG and AI					
Final Maturity in June 2025	4.22 %	710,074	-	(133,062)	577,012
Series AW issued Sept 2019					
Final Maturity in June 2029	3.11 %	-	5,899,068	-	5,899,068
		<u>\$ 46,058,850</u>	<u>\$ 5,899,068</u>	<u>\$ (10,576,051)</u>	41,381,868
Total Bonds Payable					
Plus: Unamortized Bond Premium					<u>2,810,235</u>
Outstanding at June 30, 2020					44,192,103
Less: Current Portion					<u>(4,242,057)</u>
Bonds Payable, Net of Current Portion					<u>\$ 39,950,046</u>

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NOTE 7 BONDS PAYABLE (CONTINUED)

Bonds outstanding as of June 30, 2019 were as follows:

	Weighted Average Interest Rate	Balance July 1, 2018	Bonds Issued	Bonds Redeemed	Balance June 30, 2018
Series AI Used for Installation of Sprinklers					
Final Maturity June 2025	4.36 %	\$ 906,018	\$ -	\$ (906,018)	\$ -
Series AJ Used for SMC Recreation Center, Guaranteed Energy Savings Agreement (GESA) Project, Education Building Renovations and Infrastructure					
Final Maturity June 2029	4.85 %	7,673,666	-	(609,736)	7,063,930
Series AK Used for Refunding of Series S					
Final Maturity June 2020	4.00 %	299,125	-	(146,873)	152,252
Series AL Used for Sprinklers and Union/Recreation Center					
Final Maturity June 2030	5.00 %	7,802,521	-	(535,028)	7,267,493
Series AM Used for Visual and Performing Arts Center					
Final Maturity June 2031	4.64 %	13,387,218	-	(825,540)	12,561,678
Series AP Used for Residence Hall Refunded AA					
Final Maturity June 2024	4.62 %	1,999,342	-	(300,084)	1,699,258
Series AQ Used for Refunding of Residence, Buildings, Infrastructure					
Final Maturity June 2026	4.61 %	7,905,554	-	(880,783)	7,024,771
Series AR Used for Dining Hall Renovations					
Final Maturity June 2035	3.92 %	8,772,359	-	(403,345)	8,369,014
Series AS Used for Infrastructure Refunded AF					
Final Maturity June 2027	3.97 %	1,340,884	-	(130,504)	1,210,380
Series AV issued in September 2018 Refund AG and AI					
Final Maturity in 2025	4.22 %	-	847,908	(137,834)	710,074
Total Bonds Payable		<u>\$ 50,086,687</u>	<u>\$ 847,908</u>	<u>\$ (4,875,745)</u>	46,058,850
Plus: Unamortized Bond Premium					<u>2,272,313</u>
Outstanding at June 30, 2019					48,331,163
Less: Current Portion					<u>(4,608,303)</u>
Bonds Payable, Net of Current Portion					<u><u>\$ 43,722,860</u></u>

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NOTE 7 BONDS PAYABLE (CONTINUED)

Principal and interest maturities for each of the next five years and in subsequent periods ending June 30 are as follows:

Series		2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	Total
AJ	Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Interest	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-
AK	Principal	-	-	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-
AL	Principal	589,147	554,824	582,400	612,182	641,964	3,726,037	-	-	6,706,554
	Interest	335,328	305,870	278,129	249,009	218,400	577,106	-	-	1,963,842
	Total	924,475	860,694	860,529	861,191	860,364	4,303,143	-	-	8,670,396
AM	Principal	940,391	999,978	1,066,727	1,137,799	1,209,952	5,220,318	1,104,628	-	11,679,793
	Interest	541,414	494,394	444,395	388,392	328,658	956,088	49,708	-	3,203,049
	Total	1,481,805	1,494,372	1,511,122	1,526,191	1,538,610	6,176,406	1,154,336	-	14,882,842
AP	Principal	324,185	337,442	354,314	371,185	-	-	-	-	1,387,126
	Interest	66,114	53,147	36,275	18,559	-	-	-	-	174,095
	Total	390,299	390,589	390,589	389,744	-	-	-	-	1,561,221
AQ	Principal	972,474	1,019,939	1,071,414	1,125,305	1,181,613	729,004	-	-	6,099,749
	Interest	304,987	256,364	205,367	151,796	95,531	36,450	-	-	1,050,495
	Total	1,277,461	1,276,303	1,276,781	1,277,101	1,277,144	765,454	-	-	7,150,244
AR	Principal	427,993	442,077	459,683	473,768	491,373	2,654,049	3,006,163	-	7,955,106
	Interest	353,640	339,203	324,063	308,041	291,316	1,253,464	903,957	-	3,773,684
	Total	781,633	781,280	783,746	781,809	782,689	3,907,513	3,910,120	-	11,728,790
AS	Principal	135,337	138,559	145,407	152,657	160,310	345,190	-	-	1,077,460
	Interest	49,813	47,106	40,178	32,908	25,275	26,101	-	-	221,381
	Total	185,150	185,665	185,585	185,565	185,585	371,291	-	-	1,298,841
AV	Principal	139,775	146,069	158,216	95,155	37,797	-	-	-	577,012
	Interest	28,851	21,862	14,558	6,648	1,890	-	-	-	73,809
	Total	168,626	167,931	172,774	101,803	39,687	-	-	-	650,821
AW	Principal	127,218	661,255	765,567	803,015	641,278	2,900,735	-	-	5,899,068
	Interest	294,953	288,592	255,530	217,251	177,101	371,432	-	-	1,604,859
	Total	422,171	949,847	1,021,097	1,020,266	818,379	3,272,167	-	-	7,503,927
Total	Principal	3,656,520	4,300,143	4,603,728	4,771,066	4,364,287	15,575,333	4,110,791	-	41,381,868
	Interest	1,975,100	1,806,538	1,598,495	1,372,604	1,138,171	3,220,641	953,665	-	12,065,214
	Total	\$ 5,631,620	\$ 6,106,681	\$ 6,202,223	\$ 6,143,670	\$ 5,502,458	\$ 18,795,974	\$ 5,064,456	\$ -	\$ 53,447,082

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NOTE 7 BONDS PAYABLE (CONTINUED)

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. In the past, the State System issued bonds to provide a pool for funding for AFRP \$9,228,259 outstanding as of June 30, 2020 and 2019, respectively. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program. Changes in the balance owed by the University to the AFRP pool of funding were as follows:

	<u>2020</u>	<u>2019</u>
Balance - July 1	\$ 776,711	\$ 1,119,317
Repayments	<u>(309,718)</u>	<u>(342,606)</u>
Balance - June 30	466,993	776,711
Less: Current portion	<u>(139,732)</u>	<u>(309,719)</u>
Due to Systems, Net of Current Portion	<u>\$ 327,261</u>	<u>\$ 466,992</u>

NOTE 8 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Student Tuition and Fees	\$ 1,206,266	\$ 42,770	\$ 1,366,323	\$ 53,463
Grants	4,406,663	-	400,451	-
Total	<u>\$ 5,612,929</u>	<u>\$ 42,770</u>	<u>\$ 1,766,774</u>	<u>\$ 53,463</u>

NOTE 9 COMPENSATED ABSENCES

Compensated absences consisted of the following at June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Compensated Absences	<u>\$ 1,122,101</u>	<u>\$ 9,368,423</u>	<u>\$ 914,667</u>	<u>\$ 8,430,659</u>

Compensated absences activity consisted of the following during 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance - July 1	\$ 9,345,326	\$ 9,254,617
Current Changes in Estimate	2,298,973	1,034,805
Payouts	<u>(1,153,775)</u>	<u>(944,096)</u>
Balance - June 30	10,490,524	9,345,326
Less: Current Portion	<u>(1,122,101)</u>	<u>(914,667)</u>
Noncurrent Portion	<u>\$ 9,368,423</u>	<u>\$ 8,430,659</u>

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave.

University employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 14 State System universities.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal years ended June 30, 2020 and 2019.

	System Plan		REHP		Premium Assistance		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net OPEB Liabilities	\$93,300,525	\$95,089,062	\$41,449,262	\$59,748,624	\$318,171	\$294,588	\$135,067,958	\$155,132,274
Deferred Outflows of Resources:								
Net Differences Between Actual and Expected Experience	\$ -	\$ -	\$ -	\$ -	\$ 1,824	\$ 1,847	\$ 1,824	\$ 1,847
Net Differences Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	-	-	555	462	555	462
Changes in Assumptions	-	-	1,326,111	-	10,471	4,617	1,336,582	4,617
Changes in Proportion	-	-	2,527,444	3,192,517	10,233	3,540	2,537,677	3,196,057
Contributions After the Measurement Date	2,604,316	2,708,543	1,804,717	2,348,652	17,435	17,249	4,426,468	5,074,444
Total Deferred Outflows of Resources	\$ 2,604,316	\$ 2,708,543	\$ 5,658,272	\$ 5,541,169	\$ 40,518	\$ 27,715	\$ 8,303,106	\$ 8,277,427
Deferred Inflows of Resources:								
Net Differences Between Actual and Expected Experience	\$ 8,548,831	\$ 10,597,881	\$ 30,827,531	\$ 18,299,647	\$ -	\$ -	\$ 39,376,362	\$ 28,897,528
Net Differences Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	73,410	91,319	-	-	73,410	91,319
Changes in Assumptions	9,957,384	7,601,120	5,741,168	7,854,480	9,440	11,159	15,707,992	15,466,759
Changes in Proportion	-	-	1,770,850	-	2,142	2,617	1,772,992	2,617
Total Deferred Inflows of Resources	\$ 18,506,215	\$ 18,199,001	\$ 38,412,959	\$ 26,245,446	\$ 11,582	\$ 13,776	\$ 56,930,756	\$ 44,458,223
OPEB Expense	\$ 1,227,217	\$ 1,759,727	\$ (4,444,234)	\$ (2,057,168)	\$ 42,916	\$ 14,253	\$ (3,174,101)	\$ (283,188)
Contributions Recognized by OPEB Plans	N/A	N/A	\$ 1,804,717	\$ 2,348,652	\$ 17,435	\$ 17,249	\$ 1,822,152	\$ 2,365,901

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,604,316 for the System Plan, \$1,804,717 for the REHP plan, and \$17,435 for the Premium Assistance plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

<u>Fiscal Year Ended</u>	<u>Amortization</u>		
	<u>System Plan</u>	<u>REHP</u>	<u>Premium Assistance</u>
June 30, 2021	\$ (4,853,029)	\$ (8,688,578)	\$ 1,349
June 30, 2022	(4,853,029)	(8,688,578)	1,349
June 30, 2023	(4,853,028)	(8,231,726)	1,269
June 30, 2024	(3,112,320)	(6,235,546)	1,190
June 30, 2025	(834,809)	(2,701,769)	4,046
Thereafter	-	(13,207)	2,298
Total	<u>\$ (18,506,215)</u>	<u>\$ (34,559,404)</u>	<u>\$ 11,501</u>

System Plan

Plan Description

The System Plan is a single-employer defined benefit healthcare plan administered by the Office of the Chancellor. Act 188 empowers the board to establish and amend benefit provisions and to require the Office of the Chancellor to pay OPEB as the benefits come due. The Office of the Chancellor discretely accounts for and accumulates all employer and employee System Plan contributions that have been collected from the universities, employees, and retirees, but not yet been paid to the provider; however, the System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the benefits in effect when they retired, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Nonspouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

A total of 12,122 employees are covered by the benefit terms, (down from 12,511 in the prior year), including 7,235 active employees that may be entitled to receive benefit payments upon retirement, 47 retired participants entitled to but not yet receiving benefits, and 4,840 retired participants receiving benefits.

Effective January 16, 2016, the State System OPEB Plan became closed to newly hired SCUPA, SPFPA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2020.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year end. The actuarial valuation on which the total OPEB liability as of June 30, 2020 is based is dated July 1, 2018, which was rolled forward to the measurement date of July 1, 2019. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Healthcare cost trend rate of 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual Salary increase of 4%
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- The cost due to the excise tax under the Patient Protection and Affordable Care Act beginning in 2022 is 40% of the projected premiums in excess of the annual limits, calculated using an inflation rate of 2%.
- The annual cost of living increase beginning in 2018 is assumed to be 2.2% per year.
- Retiree premium cost sharing is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on generational projection using Scale MP-2018 to reflect mortality improvement.
- The discount rate was 2.98% and 3.36%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019 and July 1, 2018, respectively.
- Participant data is based on census information as of July 1, 2018.
- Experience assumptions for withdrawal and retirement, expected vs. actual, and election percentages were reviewed in 2019, and it was determined that the results were reasonable and did not warrant a further formal study.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

Sensitivity of the University's Proportionate Share of the System Plan's
Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	One Percent Decrease (4.5% Decreasing to 2.8%)	Healthcare Cost Trend Rates (5.5% Decreasing to 3.8%)	One Percent Increase (6.5% Decreasing to 4.8%)
2020	<u>\$ 77,817,801</u>	<u>\$ 93,300,525</u>	<u>\$ 113,350,497</u>
	One Percent Decrease (4.5% Decreasing to 2.8%)	Healthcare Cost Trend Rates (5.5% Decreasing to 3.8%)	One Percent Increase (6.5% Decreasing to 4.8%)
2019	<u>\$ 79,609,779</u>	<u>\$ 95,089,062</u>	<u>\$ 115,120,253</u>

The following presents the University's net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the University's Proportionate Share of the System Plan's
Net OPEB Liability to Changes in the Discount Rate

	One Percent Decrease (2.36%)	Current Rate (3.36%)	One Percent Increase (4.36%)
2020	<u>\$ 108,912,832</u>	<u>\$ 93,300,525</u>	<u>\$ 80,857,698</u>
	One Percent Decrease (1.98%)	Current Rate (2.98%)	One Percent Increase (3.98%)
2019	<u>\$ 111,604,756</u>	<u>\$ 95,089,062</u>	<u>\$ 81,987,203</u>

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

OPEB Liability

The University's total OPEB liability of \$93,300,525 as of June 30, 2020 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to July 1, 2019. The University's total OPEB liability of \$95,089,062 as of June 30, 2019 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

University's Proportionate Share of the System Plan OPEB Liability
Determined as of the June 30 Measurement Dates

Changes in the University's Proportionate Share of the System Plan Total OPEB Liability	<u>June 30, 2020</u>	Fiscal Year Ending <u>June 30, 2019</u>
Total OPEB Liability - Beginning Balance	\$ 95,089,062	\$ 105,619,527
Service Cost	2,575,885	3,064,631
Interest	2,861,533	3,345,796
Changes in Benefit Terms	-	(73,671)
Net Differences Between Actual and Expected Experience	-	(12,718,748)
Changes in Assumptions	(4,967,534)	(834,958)
Benefit Payments	<u>(2,258,421)</u>	<u>(3,313,515)</u>
Net Changes	<u>(1,788,537)</u>	<u>(10,530,465)</u>
Total OPEB Liability - Ending Balance	<u><u>\$ 93,300,525</u></u>	<u><u>\$ 95,089,062</u></u>

REHP

Plan Description

The Retired Employees Health Program (REHP) is a single-employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration. The REHP does not have a governing board. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity, but is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The CAFR is an audited financial statement and is available at www.budget.pa.us.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Plan Description (Continued)

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include healthcare, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the plan they choose. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse dependents may be covered until age 26.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2020.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members who retired on or after July 1, 2005, and prior to July 1, 2007, pay 1% of their final annual salary.
- Plan members who retired on or after July 1, 2007, and prior to July 1, 2011, pay 3% of either final gross annual base salary or final average salary, whichever is less. Members eligible for Medicare pay 1.5% of either final gross annual base salary or final average salary, whichever is less.
- Plan members who retire on or after July 1, 2011, pay 3% of final average salary. Members eligible for Medicare pay 1.5% of final gross annual base salary.

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$300 for each current REHP eligible active employee during the fiscal year ended June 30, 2019. The rate during the period of July 1, 2017 through June 30, 2019 was also \$300.

Actuarial Assumptions and Other Inputs

The University records its REHP OPEB liability annually utilizing a measurement date one year prior to its fiscal year-end. The Commonwealth's State Employees' Retirement System (SERS) performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2011 and 2015 and was presented to the SERS Board in March 2016. The approved recommendations from that study were used to determine the assumptions in the REHP annual valuations, where applicable. The inflation assumption was selected by the SERS Board during April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook.

The total OPEB liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.60%.
- Healthcare cost trend rate of 6.0%, with rates gradually decreasing to 4.1% in 2075 and later based on the SOA-Getzen trend rate model version 2019_b.
- Average career salary growth of 2.65% per year and an assumed 2.90% general salary increase.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the RP-2000 Male and Female Combined Healthy Mortality Tables or the RP-2000 Male and Female Disabled Retiree Mortality Tables, as appropriate, adjusted to ensure sufficient margin improvement in certain age ranges.
- Participant data based on census information as of December 31, 2018, for the June 30, 2019, measurement date; and as of December 31, 2017, for the June 30, 2018 measurement date.

The following assumptions were made with regard to the discount rate:

- Discount rate of 3.50% as of June 30, 2019, and 3.87% as of June 30, 2018.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the index rate for the 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	47.0 %	5.6 %
International Equity	20.0	5.8
Fixed Income	25.0	1.7
Real Estate	8.0	4.6
Cash	-	0.9
Total	<u>100.0 %</u>	

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.37% for the measurement date of June 30, 2019 and 4.57% for the measurement date of June 30, 2018.

The following presents the University's share of the REHP net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

Sensitivity of the University's Proportionate Share of the REHP Net OPEB
Liability to Changes in the Healthcare Cost Trend Rate

	One Percent Decrease (5.0% Decreasing to 3.1%)	Healthcare Cost Trend Rates (6.0% Decreasing to 4.1%)	One Percent Increase (7.0% Decreasing to 5.1%)
2020	<u>\$ 36,006,286</u>	<u>\$ 41,449,262</u>	<u>\$ 48,144,484</u>
	One Percent Decrease (5.2% Decreasing to 3.1%)	Healthcare Cost Trend Rates (6.2% Decreasing to 4.1%)	One Percent Increase (7.2% Decreasing to 5.1%)
2019	<u>\$ 51,289,317</u>	<u>\$ 59,748,624</u>	<u>\$ 70,263,414</u>

The following presents the University's share of the REHP net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the University's Proportionate Share of the REHP Net OPEB
Liability to Changes in the Discount Rate

	One Percent Decrease (2.50%)	Current Rate (3.50%)	One Percent Increase (4.50%)
2020	<u>\$ 47,026,489</u>	<u>\$ 41,449,262</u>	<u>\$ 36,780,914</u>
	One Percent Decrease (2.87%)	Current Rate (3.87%)	One Percent Increase (4.87%)
2019	<u>\$ 68,451,658</u>	<u>\$ 59,748,624</u>	<u>\$ 52,578,397</u>

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The assets of the REHP are managed by the Commonwealth's Treasury in an investment pool. The REHP investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania's amendment to fiscal code 72 P.S. §30.1, the principles of Prudent Investors Standards.

Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiple-employer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (PSERS Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at www.psers.pa.gov.

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.83% of covered payroll for the fiscal years ended June 30, 2020 and 2019. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the University actually contributed was 0.415% of covered payroll.

Actuarial Assumptions and Other Inputs

The University records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year end. The total OPEB liability as of June 30, 2019 and 2018, measurement dates, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2018, to June 30, 2019 and June 30, 2017 to June 30, 2018, respectively, using the following actuarial assumptions, applied to all periods included in the measurement.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Valuation Date – June 30, 2018 and 2017, rolled forward to June 30, 2019 and 2018, respectively
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 5.0%, comprising 2.75% for inflation and 2.25% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017, determined the employer contribution rate for fiscal year 2018/19.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following assumptions were made with regard to the discount rate:

- The discount rate used to measure the total OPEB liability was 2.79% at June 30, 2019 and 2.98% at June 30, 2018.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability in the prior year.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2 %	0.2 %
U.S. Core Fixed Income	83.1	1.0
Non-U.S. Developed Fixed	3.7	-
Total	<u>100.0 %</u>	

The net OPEB liability was measured as of June 30, 2019 and June 30, 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2018 to June 30, 2019 and June 30, 2017 to June 30, 2018, respectively. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1886% and 0.1836% for the measurement dates of June 30, 2019 and 2018, respectively.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Sensitivity of the University's Proportionate Share of the Premium Assistance Net OPEB
Liability to Changes in the Healthcare Cost Trend Rate

	One Percent Decrease (Between 4% and 6.50%)	Healthcare Cost Trend Rates (Between 5% and 7.50%)	One Percent Increase (Between 6% and 8.50%)
2020	<u>\$ 318,171</u>	<u>\$ 318,171</u>	<u>\$ 318,250</u>
	One Percent Decrease (Between 4% and 6.75%)	Healthcare Cost Trend Rates (Between 5% and 7.75%)	One Percent Increase (Between 6% and 8.75%)
2019	<u>\$ 294,510</u>	<u>\$ 294,588</u>	<u>\$ 294,664</u>

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020 and 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate used.

Sensitivity of the University's Proportionate Share of the Premium Assistance Net OPEB
Liability to Changes in the Discount Rate

	One Percent Decrease (1.79%)	Current Rate (2.79%)	One Percent Increase (3.79%)
2020	<u>\$ 362,513</u>	<u>\$ 318,171</u>	<u>\$ 281,444</u>
	One Percent Decrease (1.98%)	Current Rate (2.98%)	One Percent Increase (3.98%)
2019	<u>\$ 334,989</u>	<u>\$ 294,588</u>	<u>\$ 261,031</u>

NOTE 11 PENSION BENEFITS

Employees of the University enroll in one of three available retirement plans immediately upon employment: the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), or the Alternative Retirement Plan (ARP).

Following is the total of the University's pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense for the fiscal years ended June 30, 2020 and 2019:

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NOTE 11 PENSION BENEFITS (CONTINUED)

	SERS		PSERS		ARP		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net Pension Liabilities	\$ 72,805,289	\$ 84,007,004	\$ 7,008,400	\$ 6,667,269	\$ -	\$ -	\$ 79,813,689	\$ 90,674,273
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	907,774	1,260,656	38,604	53,633	-	-	946,378	1,314,289
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	8,173,386	-	32,679	-	-	-	8,206,065
Changes in Assumptions	2,805,543	2,238,152	66,961	124,287	-	-	2,872,504	2,362,439
Difference Between Employer Contributions and Proportionate Share of Contributions	-	-	20,357	26,319	-	-	20,357	26,319
Changes in Proportion	753,652	1,204,887	187,063	113,773	-	-	940,715	1,318,660
Contributions After the Measurement Date	4,561,521	4,715,540	692,791	680,309	-	-	5,254,312	5,395,849
Total Deferred Outflows of Resources	<u>\$ 9,028,490</u>	<u>\$ 17,592,621</u>	<u>\$ 1,005,776</u>	<u>\$ 1,031,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,034,266</u>	<u>\$ 18,623,621</u>
Deferred Inflows of Resources								
Difference Between Expected and Actual Experience	\$ 493,123	\$ 910,300	\$ 232,258	\$ 103,182	\$ -	\$ -	\$ 725,381	\$ 1,013,482
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	5,192,390	-	20,096	-	-	-	5,212,486	-
Difference Between Employer Contributions and Proportionate Share of Contributions	380,685	448,733	-	-	-	-	380,685	448,733
Changes in Proportion	1,694,423	664,433	44,879	70,427	-	-	1,739,302	734,860
Total Deferred Inflows of Resources	<u>\$ 7,760,621</u>	<u>\$ 2,023,466</u>	<u>\$ 297,233</u>	<u>\$ 173,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,057,854</u>	<u>\$ 2,197,075</u>
Pension Expense	<u>\$ 11,107,682</u>	<u>\$ 10,631,248</u>	<u>\$ 2,025,539</u>	<u>\$ 1,061,575</u>	<u>\$ 3,376,901</u>	<u>\$ 3,342,061</u>	<u>\$ 16,510,122</u>	<u>\$ 15,034,884</u>
Contributions Recognized by Pension Plans	<u>\$ 8,008,110</u>	<u>\$ 8,172,542</u>	<u>\$ 692,791</u>	<u>\$ 680,309</u>	N/A	N/A	<u>\$ 8,700,901</u>	<u>\$ 8,852,851</u>

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NOTE 11 PENSION BENEFITS (CONTINUED)

The University will recognize the \$4,561,521 reported as 2020 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$692,791 reported as 2020 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows.

<u>Year Ending June 30,</u>	Amortization	
	SERS	PSERS
2021	\$ (238,854)	\$ 83,604
2022	(1,016,381)	(61,913)
2023	428,433	(20,218)
2024	(2,495,932)	14,279
2025	29,082	-
Total	\$ (3,293,652)	\$ 15,752

SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit plan. SERS also is the administrator of the State Employees' Defined Contribution Plan, which was established as part of Commonwealth Act 2017-5. Both the defined benefit plan and the defined contribution plan were established by the Commonwealth to provide retirement benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available annual financial report that includes financial statements and require supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but given the option to, participate.

Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly.

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

Employees who were hired prior to January 1, 2011 and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2017/18, the Commonwealth paid the full actuarially required rate after being collared in previous years due to ACT 120.

For the SERS defined benefit plan, the University's actuarially determined contribution rate for most active members was 36.04% of active members' annual covered payroll at June 30, 2020, with less common rates ranging between 24.92% and 28.84%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the University's actuarially determined contribution rate was either 16.93% or 17.18% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the University was required to contribute to the defined benefit plan

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

15.62% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to the SERS defined benefit plan for the years ended June 30, 2020, 2019, and 2018 were \$8,008,110, \$8,172,542, and \$7,800,771, respectively, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 4.0% or 5.0% of gross salary, depending upon what class of membership was elected.

For the SERS defined contribution plan, the University contributed at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2020, depending upon the plan chosen by the employee. The University recognized \$24,723 in SERS defined contribution pension expense for the year ended June 30, 2020 and \$2,486 for the year ended June 30, 2019, the first year of the plan's implementation. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

The contribution rate to the defined contribution plan for active members who participate in the SERS defined benefit/defined contribution hybrid plan was either 3.25% or 3.5% of gross salary (in addition to the required contributions to the defined benefit plan), depending upon what class of membership was elected. The contribution rate to the defined contribution plan for active members who participate in the straight 401(a) defined contribution plan was 7.5% of gross salary.

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience* study for the period 2011–2015 was released in March 2016. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* at its March 2016 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2019 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.25% to 7.125%. The next SERS review occurred in summer 2020 and will be used for its 2020 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2019, measurement date.

- Entry age actuarial cost method.
- Investments amortized on a straight-line, closed period basis over five years; assumption changes noninvestment gains/losses amortized over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.60%.
- Investment return of 7.125%, net of manager fees and including inflation.
- Salary increases based on an average of 5.60%, with a range of 3.70% to 8.90%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected RP-2000 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2019 and 2018 are summarized below:

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private Equity	16.00 %	7.25 %	16.00 %	7.25 %
Global Public Equity	48.00	5.15	48.00	5.15
Real Estate	12.00	5.26	12.00	5.26
Multi-Strategy	10.00	4.44	10.00	4.44
Fixed Income	11.00	1.26	11.00	1.26
Cash	3.00	-	3.00	-
Total	<u>100.00 %</u>		<u>100.00 %</u>	

The discount rate used to measure the total SERS pension liability was 7.125% and 7.25% at June 30, 2019 and 2018 measurement dates, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current and nonactive SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2020 and 2019, calculated using the current discount rate, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

<u>Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate</u>			
	<u>One Percent Decrease (6.125%)</u>	<u>Current Rate (7.125%)</u>	<u>One Percent Increase (8.125%)</u>
2020	<u>\$ 92,511,041</u>	<u>\$ 72,805,289</u>	<u>\$ 55,934,837</u>
	<u>One Percent Decrease (6.25%)</u>	<u>Current Rate (7.25%)</u>	<u>One Percent Increase (8.25%)</u>
2019	<u>\$ 103,153,745</u>	<u>\$ 84,007,004</u>	<u>\$ 67,599,298</u>

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Proportionate Share

At June 30, 2020, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2019, was \$72,805,289. At June 30, 2019, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2018, was \$84,007,004.

The allocation percentage assigned to each participating employer was based on a projected contribution method. For the allocation of the December 2019 amounts, the methodology applied the most recently calculated contribution rates for fiscal year 2020/21, from the December 31, 2019, funding valuation, to the expected funding payroll. For the allocation of the December 2018 amounts, the methodology applied the most recently calculated contribution rates for fiscal year 2019/20, from the December 31, 2018, funding valuation, to the expected funding payroll. At the December 31, 2019 measurement date, the State System's proportion was 4.773%, a decrease of 0.124% from its proportion calculated as of the December 31, 2018 measurement date.

PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–8535) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established. The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. The Code requires contributions by active members, the employer (University), and the Commonwealth. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

One June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

PSERS issues a comprehensive annual financial report that may be obtained from the PSERS website at www.psers.state.pa.us.

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NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided

Members who joined prior to July 1, 2011, are eligible for monthly retirement benefits upon reaching age 62 with at least one year of credited service, age 60 with 30 or more years of credited service, or any age with 35 or more years of service. Act 120 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service.

Depending upon membership class, benefits are generally 2% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute 5.25% (Class T-C members) or 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.5% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001, and before July 1, 2011, contribute 7.5% (Class T-D). For these hires and for members who elected Class T-D, the 7.5% contribution rate began with service rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011, contribute at the rate of 7.5% (Class T-E) or 10.3% (Class T-F) of their qualifying compensation. Class T-E and Class T-F members are subject to a "shared risk" provision in Act 120 that could cause the rate in future years to fluctuate between 7.5% and 9.5% for Class T-E and 10.3% and 12.3% for Class T-F.

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NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2020 and June 30, 2019 was 33.36% and 32.60%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 16.68% of covered payroll. The University's contribution to PSERS for the years ending June 30, 2020, 2019, and 2018 was \$692,791, \$680,309, and \$596,066, respectively, equal to the required contractual contribution.

For the PSERS defined contribution plan, the University is required to contribute at an actuarially determined average rate of 0.09% of active members' annual covered payroll for the year ending June 30, 2020, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the University contributions for the year ended June 30, 2020 were immaterial.

Actuarial Assumptions

The University records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability, as of the June 30, 2019 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2018, to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date – June 30, 2018
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.25%, with 2.75% inflation.
- Salary increases based on an effective average of 5.0%, which comprises a 2.75% allowance for inflation and 2.25% for real wage growth and merit or seniority increases.
- Mortality rates based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 and 2018.

Asset Class	2020		2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0 %	5.6 %	20.0 %	5.2 %
Fixed Income	36.0	1.9	36.0	2.2
Commodities	8.0	2.7	8.0	3.2
Absolute Return	10.0	3.4	10.0	3.5
Risk Parity	10.0	4.1	10.0	3.9
Infrastructure/MLPs	8.0	5.5	8.0	5.2
Real Estate	10.0	4.1	10.0	4.2
Alternative Investments	15.0	7.4	15.0	6.7
Cash	3.0	0.3	3.0	0.4
Financing (LIBOR)	(20.0)	0.7	(20.0)	0.9
Total	<u>100.0 %</u>		<u>100.0 %</u>	

The discount rate used to measure the total PSERS pension liability was 7.25% for both years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined based on those assumptions, PSERS' 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 PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2020 and 2019, calculated using the current discount rate as well as what the PSERS net pension liability would be if were calculated using a discount rate one percentage point lower and one percentage point higher than the current rate.

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NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate			
	One Percent Decrease (6.25%)	Current Rate (7.25%)	One Percent Increase (8.25%)
2020	<u>\$ 8,729,760</u>	<u>\$ 7,008,400</u>	<u>\$ 5,550,832</u>
	One Percent Decrease (6.25%)	Current Rate (7.25%)	One Percent Increase (8.25%)
2019	<u>\$ 8,264,549</u>	<u>\$ 6,667,269</u>	<u>\$ 5,316,674</u>

Proportionate Share

The amount recognized as the State System's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows.

	<u>2020</u>	<u>2019</u>
Total PSERS Net Pension Liability Associated with the University	\$ 14,016,800	\$ 13,334,538
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	<u>7,008,400</u>	<u>6,667,269</u>
University's Proportionate Share of the PSERS Net Pension Liability	<u>\$ 7,008,400</u>	<u>\$ 6,667,269</u>

PSERS measured the 2020 and 2019 net pension liabilities as of June 30, 2019, and June 30, 2018, respectively. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2019, the State System's proportion was .1886%, an increase of .0050% from its proportion calculated as of June 30, 2018.

ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The University's contribution rate on June 30, 2020 and 2019 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2020 and 2019 were \$3,376,901 and \$3,342,000 respectively, from the University and \$1,817,492 and \$1,798,741, respectively, from active members. No liability is recognized for the ARP.

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NOTE 12 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims up to \$100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims up to \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund) to which all State System universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed \$95,685 to the Reserve Fund during the year ended June 30, 2020 and \$79,762 to the Reserve Fund during the year ended June 30, 2019.

Changes in the University's claims liability were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance - July 1	\$ 1,188,475	\$ 946,617	\$ 921,594
Current Year Claims and Changes in Estimate	180,764	495,767	676,784
Payments	<u>(391,580)</u>	<u>(253,909)</u>	<u>(651,761)</u>
Balance - June 30	<u>\$ 977,659</u>	<u>\$ 1,188,475</u>	<u>\$ 946,617</u>

NOTE 13 RELATED PARTY TRANSACTIONS

The University has a separately incorporated affiliated organization, the General Alumni Association. Since this affiliated organization operates under an independent governing board and management, the financial activities of this organization are not included in the accompanying financial statements. The Organization uses facilities deeded to the University at no charge. The Organization paid to the University \$18,000 and \$17,060 for the years ended June 30, 2020 and 2019, respectively, for office support staff provided to the Organization by the University. There were no amounts due to or from the Organization at June 30, 2020 and 2019.

NOTE 14 CONTINGENCIES

The nature of the educational industry is such that, from time to time, the University is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The University is self-insured for workers' compensation up to stated limits (see Note 12). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not significantly reduced any of its insurance coverage from the prior year.

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NOTE 14 CONTINGENCIES (CONTINUED)

Settled claims have not significantly exceeded the University's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES funding in 2019/20. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2020, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

Covid-19 Pandemic

Covid-19 may impact various parts of the operations and financial results of the University and component units, including method of educational delivery, athletics, housing, and food service. Management believes that the Universities and component units are taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated at June 30, 2020.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2020 and 2019 were approximately \$1,196,844 and \$988,788, respectively.

Labor Concentration

Approximately 86% of PASSHE's employees are covered by nine collective bargaining agreements. Seven of the agreements were renegotiated during the past fiscal year; most of which are effective through fiscal year 2022/23. The only exceptions are two minor unions: the agreement for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA), which expired on August 31, 2020, and the Professional Doctors Association (PDA). A tentative agreement was reached with SPFPA in September 2020. The terms of the prior contracts remain in effect until a successor agreement is achieved.

NOTE 15 DEBT REFUNDING

In September 2019, \$85 million of the net proceeds from the Series AW tax-exempt revenue bonds were used to current refund portions of the Series AJ and Series AK bonds. The refunding will reduce the debt service by approximately \$1.2 million and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1.2 million to the University. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

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NOTE 15 DEBT REFUNDING (CONTINUED)

In September 2018, \$36.2 million of the net proceeds from the Series AV-1 tax-exempt revenue bonds were used to current refund Series AG and a portion of Series AI bonds. The refunding will reduce debt service by approximately \$55,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$50,000 to the University. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

NOTE 16 RATING ACTIONS

In June 2020, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3 with an outlook of *stable*. In June 2020, Fitch Ratings affirmed the State System's rating of A+ with an outlook of *stable*.

NOTE 17 SUBSEQUENT EVENTS

In July 2020, PHEFA issued Series AX tax-exempt revenue bonds in the amount of \$94,985,000. The net proceeds from the Series AX revenue bonds were used to current refund Series AH, Series AJ and Series AL revenue bonds. The refunding will reduce debt service by approximately \$1.5 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1.4 million for the University. In connection with the bond issuance, the State System entered into a loan agreement with PHEFA under which the State System pledged its full faith and credit for repayment of the bonds.

In September 2020, PHEFA accepted bids for Series AY taxable revenue bonds, in the amount of \$78,925,000, which closed on October 1, 2020. The purpose of this issue is to advance refund a portion of Series AM revenue bonds and will result in a reduction of debt service of approximately \$1.4 million and an economic gain of approximately \$1.3 million for the University. The State System will enter into a loan agreement with PHEFA under which the State System will pledge its full faith and credit for repayment of the bonds.

During the 4th quarter of fiscal year 2019-20 contractual payment was made to our affiliate component unit, Student Services, Inc. for services related to ticket operations, technical operations and management of the Student Memorial Center. Payment was made in full prior to known impacts of COVID 19 pandemic and ensuing closing of campus. Student Services, Inc. issued a partial refund which was the net of the amount paid less the full personnel expenses for the 4th quarter. The University contends that it is entitled to a partial refund that is calculated by taking the full payment less the actual utilization as captured and reported by Student Services, Inc., resulting in an additional \$92,558 being billed to the affiliate as of September 22, 2020, reported as due to the University from the component unit.

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University's Proportionate Share of the System Plan OPEB Liability
Determined as of the June 30 Measurement Dates

Changes in the University's Proportionate Share of the System Plan Total OPEB Liability	Fiscal Year Ending		
	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability - Beginning Balance	\$ 95,089,062	\$ 105,619,527	\$ 109,689,232
Service Cost	2,575,885	3,064,631	1,997,487
Interest	2,861,533	3,345,796	1,619,822
Changes in Benefit Terms	-	(73,671)	-
Net Differences Between Actual and Expected Experience	-	(12,718,748)	-
Changes in Assumptions	(4,967,534)	(834,958)	(5,881,263)
Benefit Payments	(2,258,421)	(3,313,515)	(1,805,751)
Net Changes	<u>(1,788,537)</u>	<u>(10,530,465)</u>	<u>(4,069,705)</u>
Total OPEB Liability - Ending Balance	<u>\$ 93,300,525</u>	<u>\$ 95,089,062</u>	<u>\$ 105,619,527</u>
Covered Employee Payroll	\$ 42,509,191	\$ 42,158,501	\$ 42,843,020
OPEB Liability as a Percent of Covered Payroll	219.48%	225.55%	246.53%

Note to Schedule: The System plan has no plan assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors

Schedule of Proportionate Share of REHP's Net OPEB Liability
Determined as of REHP's June 30 Measurement Dates
(In Thousands)

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	Share of Net OPEB Liability as a Percent of Covered- Employee Payroll	REHP's Fiduciary Net Position as a Percent of Total OPEB Liability
2017/18	4.374 %	\$ 79,495	\$ 10,838	733.5 %	1.4 %
2018/19	4.483	59,749	10,657	560.7	2.2
2019/20	4.370	41,449	10,643	389.4	3.8

REHP Schedule of Contributions
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS REHP	Deficiency (Excess)	Covered- Payroll	Contributions as a Percent of Covered- Employee Payroll
2017/18	\$ 1,946	\$ 1,946	\$ -	\$ 12,854	15.14 %
2018/19	2,349	2,349	-	13,215	17.78
2019/20	1,805	1,805	-	12,719	14.19

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Schedule of Proportionate Share of PSERS Net OPEB Liability
Determined as of June 30, PSERS Measurement Date
(In Thousands)

Fiscal Year	PSERS Net OPEB Liability				University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a Percent of Covered- Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total OPEB Liability
	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total			
2017/18	0.18110%	\$ 296	\$ 296	\$ 592	\$ 3,873	7.65 %	5.73 %
2018/19	0.00184	295	295	590	3,804	7.74	5.56
2019/20	0.00189	318	318	636	4,126	7.71	5.56

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	\$ 16	\$ 16	\$ -	\$ 3,946	0.40 %
2018/19	17	17	-	4,308	0.40
2019/20	17	17	-	4,287	0.41

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Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of SERS December 31 Measurement Date
(In Thousands)

Fiscal Year	State System's Proportion	University's Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a Percent of Covered- Employee Payroll	SERS Fiduciary Net Position as a Percent of Total Pension Liability
2014/15	4.901 %	\$ 59,723	\$ 24,359	245 %	64.800 %
2015/16	4.721	70,203	24,348	288	58.900
2016/17	4.837	76,256	24,622	310	57.800
2017/18	4.906	71,289	25,974	275	63.000
2018/19	4.897	84,007	26,229	320	56.400
2019/20	4.773	72,805	26,431	276	63.100

SERS Schedule of Contributions
(In Thousands)
Determined as of the University's June 30 Fiscal Year-End

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percent of Covered- Employee Payroll
2014/15	\$ 4,691	\$ 4,691	\$ -	\$ 24,359	19.3 %
2015/16	5,650	5,650	-	23,863	23.7
2016/17	7,038	7,038	-	25,132	28.0
2017/18	7,801	7,801	-	24,840	31.4
2018/19	8,173	8,173	-	26,212	31.2
2019/20	8,008	8,008	-	25,217	31.8

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Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
Determined as of PSERS June 30 Measurement Date
(In Thousands)

Fiscal Year	PSERS Net Pension Liability				University's Covered- Employee Payroll	University's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total Pension Liability
	State	University's	Commonwealth's				
	System's Proportion	Proportionate Share	Proportion Share	Total			
2014/15	0.1785 %	\$ 6,223	\$ 6,223	\$ 12,446	\$ 2,006	310 %	57.2 %
2015/16	0.1852	7,021	7,021	14,042	4,172	200	54.4
2016/17	0.1833	7,347	7,347	14,694	3,841	200	50.1
2017/18	0.1811	7,220	7,220	14,439	3,893	200	51.8
2018/19	0.1836	6,667	6,667	13,335	3,740	200	54.0
2019/20	0.1836	7,008	7,008	14,017	4,132	200	55.7

PSERS Schedule of Contributions
(In Thousands)

Determined as of the University's June 30 Fiscal Year-End

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percent of Covered- Employee Payroll
2014/15	\$ 458	\$ 458	\$ -	\$ 4,172	11.0 %
2015/16	486	486	-	3,929	12.4
2016/17	574	574	-	4,015	14.3
2017/18	596	596	-	3,946	15.1
2018/19	680	680	-	4,308	15.8
2019/20	693	693	-	4,287	16.2