EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Council of Trustees
East Stroudsburg University of Pennsylvania
of the State System of Higher Education
East Stroudsburg, 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 East Stroudsburg University of Pennsylvania of the State System of Higher Education (University), as of and for the years ended June 30, 2018 and 2017, 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 financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets, net assets, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component units, are 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.

Council of Trustees
East Stroudsburg University of Pennsylvania
of the State System of Higher Education

Opinions

In our opinion, based on our audits and the reports of 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018, which represent a change in accounting principle. As of July 1, 2017, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the various schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions on pages 61-64 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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 20, 2018

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 84,070,222	$ 84,598,226
Short-Term Investments	14,327	14,323
Accounts Receivable:		
Governmental Grants and Contracts	1,785,742	1,483,967
Students, Net of Allowance for Doubtful Accounts of $2,756,689 in 2018 and $3,136,392 in 2017	1,890,601	2,007,000
Other	1,079,575	1,263,013
Inventories	257,745	186,601
Prepaid Expenses	1,129,577	793,640
Due from Component Units	1,572,287	1,554,067
Loans Receivable	340,118	417,046
Investment Income Receivable	242,432	159,769
Other Current Assets	101,949	100,520
Total Current Assets	92,484,575	92,578,172
NONCURRENT ASSETS		
Loans Receivable	1,546,045	1,642,423
Capital Assets, Net	97,444,869	88,983,119
Other Assets	2,183,274	2,308,016
Total Noncurrent Assets	101,174,188	92,933,558
Total Assets	193,658,763	185,511,730
DEFERRED OUTFLOWS OF RESOURCES	10,390,044	10,647,385
Total Assets and Deferred Outflows of Resources	$ 204,048,807	$ 196,159,115

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 12,591,648	$ 9,585,819
Unearned Revenue	3,673,775	4,087,966
Students' Deposits	5,700	5,750
Workers' Compensation	421,166	346,560
Compensated Absences	463,947	543,845
Postretirement Benefits	3,479,061	-
Bonds Payable	4,296,514	4,142,760
Due to System, AFRP	269,329	276,226
Due to Component Units	524,858	495,151
Other Current Liabilities	509,979	239,284
Total Current Liabilities	26,235,977	19,723,361
NONCURRENT LIABILITIES		
Unearned Revenue	61,783	516,234
Workers' Compensation	317,233	158,195
Compensated Absences	6,703,774	6,325,087
Postretirement Benefits	135,763,742	65,697,848
Bonds Payable, Net	33,406,191	37,330,656
Due to System, AFRP	610,587	884,305
Net Pension Liability	40,810,886	44,412,913
Other Noncurrent Liabilities	4,824,726	5,029,413
Total Noncurrent Liabilities	222,498,922	160,354,651
Total Liabilities	248,734,899	180,078,012
DEFERRED INFLOWS OF RESOURCES	14,949,471	2,010,475
NET POSITION		
Net Investment in Capital Assets	62,946,270	50,054,950
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	10,000	10,000
Student Loans	419,837	332,671
Expendable:		
Scholarships and Fellowships	674,757	711,099
Research	-	1,226
Capital Projects	898,291	3,068,117
Other	(725)	(372)
Unrestricted Net Position	(124,583,993)	(40,107,063)
Total Net Position	(59,635,563)	14,070,628
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 204,048,807	$ 196,159,115

See accompanying Notes to Financial Statements.

EAST STROUDSBURG 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, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Tuition and Fees	$ 70,396,558	$ 69,127,558
Less: Scholarship Discounts and Allowances	17,426,225	15,761,248
Net Tuition and Fees	52,970,333	53,366,310
Governmental Grants and Contracts:		
Federal	2,331,414	1,318,383
State	6,145,210	6,539,577
Nongovernment Grants and Contracts	138,291	123,396
Sales and Services of Educational Departments	3,045,073	3,452,071
Auxiliary Enterprises (Net of Scholarship Discounts and Allowances of $499,282 in 2018 and $717,429 in 2017)	19,641,028	20,776,603
Other Revenues	722,485	997,199
Total Operating Revenues	84,993,834	86,573,539
OPERATING EXPENSES		
Instruction	39,365,931	40,465,316
Research	750,348	675,076
Public Service	1,837,995	2,090,097
Academic Support	15,222,964	14,300,164
Student Services	9,085,623	9,606,506
Institutional Support	19,446,098	18,283,127
Operations and Maintenance of Plant	8,569,380	7,279,611
Depreciation	6,068,885	5,968,163
Student Aid	3,589,551	3,693,320
Auxiliary Enterprises	14,719,521	16,561,360
Total Operating Expenses	118,656,296	118,922,740
NET OPERATING LOSS	(33,662,462)	(32,349,201)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	27,030,316	26,098,660
Commonwealth on-behalf Contributions to PSERS	469,061	510,530
Pell Grants	11,139,056	10,183,193
Investment Income, Net of Related Investment Expense of $15,392 in 2018 and $13,655 in 2017	1,663,171	1,064,292
Gifts for Other than Capital Purposes	285,179	552,098
Interest Expense on Capital Asset-Related Debt	(984,879)	(1,295,143)
Other Nonoperating Revenue	159,372	150,145
Net Nonoperating Revenues	39,761,276	37,263,775
INCOME BEFORE OTHER REVENUES	6,098,814	4,914,574
OTHER REVENUES		
State Appropriations, Capital	1,217,946	1,088,448
Capital Gifts and Grants	278,913	40,587
Total Other Revenues	1,496,859	1,129,035
INCREASE IN NET POSITION	7,595,673	6,043,609
Net Position - Beginning of Year	14,070,628	8,027,019
Restatement for July 1, 2017 - GASB 75 OPEB Liability	(81,301,864)	-
Net Position - Beginning of Year, Restated	(67,231,236)	8,027,019
NET POSITION - END OF YEAR	$ (59,635,563)	$ 14,070,628

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 52,749,397	$ 53,743,757
Grants and Contracts	8,180,913	7,792,404
Payments to Suppliers for Goods and Services	(25,647,566)	(28,057,521)
Payments to Employees	(77,978,136)	(77,266,998)
Loans Issued to Students	(65,500)	(131,800)
Loans Collected from Students	238,806	276,984
Student Aid	(3,632,972)	(3,740,074)
Auxiliary Enterprise Charges	19,063,935	20,887,944
Sales and Services of Educational Departments	3,042,684	3,448,191
Other Receipts	1,394,626	6,550,723
Net Cash Used by Operating Activities	(22,653,813)	(16,496,390)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	27,030,316	26,098,660
Gifts and Nonoperating Grants for Other than Capital Purposes	11,147,823	10,735,291
PLUS, Stafford, and Other Loan Receipts (Non-Perkins)	58,948,203	58,031,674
PLUS, Stafford, and Other Loan Disbursements (Non-Perkins)	(58,948,203)	(58,031,674)
Agency Transactions, Net	6,209	(12,548)
Other	159,372	150,145
Net Cash Provided by Noncapital Financing Activities	38,343,720	36,971,548
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	4,925,265	-
Capital Appropriations	1,217,946	1,088,448
Capital Grants and Gifts Received	278,913	40,587
Purchases of Capital Assets	(14,254,223)	(4,628,945)
Principal Paid on Capital and Other Debt	(8,314,274)	(3,247,211)
Interest Paid on Capital Debt	(1,652,042)	(1,761,356)
Net Cash Used by Capital Financing Activities	(17,798,415)	(8,508,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Endowment Investments	(4)	(4)
Interest on Investments	1,580,508	1,014,166
Net Cash Provided by Investing Activities	1,580,504	1,014,162
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(528,004)	12,980,843
Cash and Cash Equivalents - Beginning of Year	84,598,226	71,617,383
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 84,070,222	$ 84,598,226

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	$ (33,662,462)	$ (32,349,201)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	6,068,885	5,968,163
Expenses paid by Commonwealth or Donor	469,061	510,530
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(185,376)	165,373
Inventories	(71,144)	(18,538)
Other Assets	(47,405)	4,360,650
Accounts Payable and Accrued Expenses	3,005,829	44,760
Unearned Revenue	(868,642)	899,338
Students' Deposits	(50)	650
Compensated Absences	298,789	349,984
Loans Receivable	173,306	145,184
Other Liabilities	2,165,396	3,426,717
Net Cash Used by Operating Activities	$ (22,653,813)	$ (16,496,390)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Capital assets acquired by gifts or appropriation	$ 276,412	$ -
Commonwealth On-Behalf Contributions to PSERS	469,061	510,530
	$ 745,473	$ 510,530

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 25,048,874	$ 33,133,518
Accounts Receivable	173,178	122,198
Pledges Receivable	783,883	336
Due from University	517,185	515,360
Other Current Assets	245,995	43,554
Total Current Assets	26,769,115	33,814,966
NONCURRENT ASSETS		
Capital Assets, Net	107,232,287	105,845,126
Investments	31,300,444	29,335,467
Pledges Receivable	-	793,336
Other Assets	-	3,455,095
Total Noncurrent Assets	138,532,731	139,429,024
Total Assets	$ 165,301,846	$ 173,243,990
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 3,137,453	$ 6,909,121
Annuity Liabilities	255,340	276,977
Due to University	1,451,176	1,547,133
Deposit Liabilities	-	2,702
Current Portion of Long-Term Debt	2,525,382	41,184,996
Other Liabilities	45,833	58,580
Total Current Liabilities	7,415,184	49,979,509
LONG-TERM DEBT	127,822,767	94,155,552
Total Liabilities	135,237,951	144,135,061
NET ASSETS		
Unrestricted	7,978,286	8,316,651
Temporarily Restricted	7,950,765	7,208,713
Permanently Restricted	14,134,844	13,583,565
Total Net Assets	30,063,895	29,108,929
Total Liabilities and Net Assets	$ 165,301,846	$ 173,243,990

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND OTHER ADDITIONS		
Contributions	$ 742,700	$ 806,375
Sales and Services	287,432	283,875
Student Fees	2,810,630	2,790,612
Grants and Contracts	19,411	30,861
Rental Income	15,654,230	12,373,175
Investment Income	1,009,695	963,309
Service Fee Income - University	1,125,000	1,125,000
Other Revenues and Gains	1,593,454	1,308,111
Net Assets Released from Restrictions	1,078,763	1,078,619
Total Revenues and Other Additions	24,321,315	20,759,937
EXPENSES AND OTHER DEDUCTIONS		
Program Expenses:		
Scholarships and Grants	780,313	747,677
Student Activities and Programs	1,969,010	1,557,539
Housing	16,423,227	12,529,600
Other University Support	237,463	388,935
Other Programs	303,651	652,606
Management and General	4,183,559	3,582,824
Fundraising	762,457	463,922
Total Expenses and Other Deductions	24,659,680	19,923,103
Increase (Decrease) in Unrestricted Net Assets	(338,365)	836,834
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,260,702	1,460,291
Investment Income	437,844	1,470,977
Gains and (Losses)	122,269	(173,238)
Net Assets Released from Restrictions	(1,078,763)	(1,078,619)
Increase in Temporarily Restricted Net Assets	742,052	1,679,411
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	551,279	1,424,854
Increase in Permanently Restricted Net Assets	551,279	1,424,854
INCREASE IN NET ASSETS	954,966	3,941,099
Net Assets - Beginning of Year	29,108,929	25,167,830
NET ASSETS - END OF YEAR	$ 30,063,895	$ 29,108,929

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

East Stroudsburg University of Pennsylvania of the State System of Higher Education (the University) is a public four-year institution located in East Stroudsburg, Pennsylvania. The University is one of 14 universities of the Pennsylvania 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 (Commonwealth).

Reporting Entity

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

The University has determined that the East Stroudsburg University Student Activity Association, Inc. (Association), the East Stroudsburg University Foundation (Foundation), The Rose Mekeel Child Care Center (Mekeel), the East Stroudsburg University Center for Research and Economic Development, Inc. (CFRED) and University Properties, Inc. (UPI) 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 Association is a legally separate, tax-exempt entity, which is responsible for the operations of the Student Activity Association, whose primary function is acting as a liaison between students, faculty and alumni, the University Store and Stony Acres, Inc., a recreation site and field campus for faculty and students. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of and for the years ended May 31, 2018 and 2017.

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fundraising 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, which the Foundation holds and invests, is restricted to activities of the University by the donors. Since these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Foundation is presented as of and for the years ended June 30, 2018 and 2017.

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

Reporting Entity (Continued)

Mekeel is a legally separate, tax-exempt entity, which operates a childcare center for the children of students, faculty, and staff enrolled and/or employed at the University. It also assists various departments of the University with educational programs. Although the University does not control the resources of Mekeel, the activities of Mekeel are solely for the benefit of the University and its students. Mekeel is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of Mekeel is presented as of and for the years ended May 31, 2018 and 2017.

CFRED is a legally separate, tax-exempt entity, whose primary function is acting as the principal economic development and research extension of the University, through research and workforce training. CFRED and the University have entered into a memorandum of understanding, which recognizes CFRED as an affiliated organization of the University. CFRED is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of CFRED is presented as of and for the years ended June 30, 2018 and 2017.

UPI is a legally separate, tax-exempt entity, whose primary function is the operation and maintenance of certain housing for University students. Although the University does not control the resources of UPI, the activities of UPI are solely for the benefit of the University and its students. UPI is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of UPI is presented as of and for the years ended June 30, 2018 and 2017.

At June 30, 2018 and 2017, the University owed amounts to and was due amounts from its component units. Such balances are incurred as a normal part of doing business and are expected to be liquidated within the next fiscal year.

Complete financial statements for the component units may be obtained at the University's administrative 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 (U.S. 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.

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

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

Operating Revenues and Expenses

The University records tuition; all academic, instructional, and other student fees; student financial aid; auxiliary activity; and corporate partnerships as operating revenue. 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 and loss on the disposal of assets, are recorded as operating expenses. Appropriations, Pell grants, investment income, gifts for other than capital purposes, and parking and library fines are reported as nonoperating revenue.

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.

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

- 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 respective pension and OPEB plan valuation measurement date.

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: Net position subject to externally imposed conditions requiring that they be maintained by the University in perpetuity.

Restricted – Expendable: 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.

Cash Equivalents and Investments

The University considers all demand and time deposits, money market funds and overnight repurchase agreements 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, amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources.

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

Accounts and Loans Receivable (Continued)

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.

Inventories

Inventories consist mainly of supplies and are stated at the lower of cost or market, with cost determined principally on the weighted average method.

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 a 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. All library books are capitalized and depreciated. Assets purchased 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. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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 the impairment is identified. No writedown of capital assets was required for the years ended June 30, 2018 and 2017.

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

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

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 Scholarship 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.

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 and 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.

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

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 these standards on its financial statements as discussed below.

The University has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires the University to report its share of the liabilities, expense, deferred outflows of resources, and deferred inflows of resources allocated to it by the Retired Employees Health Program and the Public School Employees' Retirement System Health Insurance Premium Assistance Program, both of which are defined benefit retiree healthcare plans administered by the Commonwealth of Pennsylvania. Statement No. 75 also has significantly increased the liability that the University records for the defined benefit retiree healthcare and tuition benefits plan that the State System administers, and requires the recording of deferred outflows of resources and deferred inflows of resources associated with the plan.

The July 1, 2017 balances of these other postemployment benefit liabilities (with "other" meaning "other than pensions"), known as OPEB liabilities, and related deferred outflows of resources and deferred inflows of resources, are reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the *2017 Net position—beginning of year*. The plans did not provide sufficient information to restate the June 30, 2017 financial statements.

Net Position - Beginning of Year, as Previously Stated	$ 14,070,628
Restatement for July 1, 2017 - GASB 75 OPEB Liability	(81,301,864)
Net Position - Beginning of Year, Restated	$ (67,231,236)

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

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 the same manner as capital leases. 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 December 15, 2019.

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

New Accounting Standards (Continued)

In March 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. Statement No. 88 is intended to improve the information that is disclosed in notes to government financial statements related to debt. The University has determined that Statement No. 88 will have no effect on its financial statements.

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, 2019.

In August 2018, GASB issued Statement No. 90, Majority Equity Interests. Statement No. 90 is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The University has determined that Statement No. 90 will have no effect on its financial statements.

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2018:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	$ 4,411	$ 484,564	$ 106,743,312	$ -	$ -	$ 107,232,287
Investments	22,246,580	8,934,798	-	-	119,066	31,300,444
Due from University	-	10,693	505,655	837	-	517,185
Other Assets	1,621,492	5,508,064	18,937,626	134,412	50,336	26,251,930
Total Assets	$ 23,872,483	$ 14,938,119	$ 126,186,593	$ 135,249	$ 169,402	$ 165,301,846
Due to University	$ 241,699	$ -	$ 1,209,477	$ -	$ -	$ 1,451,176
Long-Term Debt	-	-	130,342,977	-	5,172	130,348,149
Other Liabilities	355,345	658,377	2,408,037	7,183	9,684	3,438,626
Total Liabilities	597,044	658,377	133,960,491	7,183	14,856	135,237,951
Net Assets:						
Unrestricted	1,275,830	14,193,742	(7,773,898)	128,066	154,546	7,978,286
Temporarily Restricted	7,950,765	-	-	-	-	7,950,765
Permanently Restricted	14,048,844	86,000	-	-	-	14,134,844
Total Net Assets	23,275,439	14,279,742	(7,773,898)	128,066	154,546	30,063,895
Total Liabilities and Net Assets	$ 23,872,483	$ 14,938,119	$ 126,186,593	$ 135,249	$ 169,402	$ 165,301,846

The following represents combining condensed statement of financial position information for the component units as of June 30, 2017:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	$ 6,862	$ 516,917	$ 105,321,347	$ -	$ -	$ 105,845,126
Investments	21,118,103	8,217,364	-	-	-	29,335,467
Due from University	-	10,229	505,131	-	-	515,360
Other Assets	1,520,365	5,676,480	29,998,047	188,705	164,440	37,548,037
Total Assets	$ 22,645,330	$ 14,420,990	$ 135,824,525	$ 188,705	$ 164,440	$ 173,243,990
Due to University	$ 553,627	$ -	$ 986,561	$ 6,945	$ -	$ 1,547,133
Long-Term Debt	-	-	135,340,548	-	-	135,340,548
Other Liabilities	364,443	674,327	6,195,079	282	13,249	7,247,380
Total Liabilities	918,070	674,327	142,522,188	7,227	13,249	144,135,061
Net Assets:						
Unrestricted	1,024,037	13,660,663	(6,697,663)	178,423	151,191	8,316,651
Temporarily Restricted	7,205,658	-	-	3,055	-	7,208,713
Permanently Restricted	13,497,565	86,000	-	-	-	13,583,565
Total Net Assets	21,727,260	13,746,663	(6,697,663)	181,478	151,191	29,108,929
Total Liabilities and Net Assets	$ 22,645,330	$ 14,420,990	$ 135,824,525	$ 188,705	$ 164,440	$ 173,243,990

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2018:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Unrestricted Net Assets						
Revenues and Other Additions:						
Contributions	$ 688,392	$ -	$ -	$ 54,308	$ -	$ 742,700
Sales and Services	-	-	-	-	287,432	287,432
Student Fees	-	2,810,630	-	-	-	2,810,630
Grants and Contracts	-	-	-	500	18,911	19,411
Rental Income	-	-	15,654,230	-	-	15,654,230
Investment Income	86,275	763,939	157,102	803	1,576	1,009,695
Service Fee Income	1,125,000	-	-	-	-	1,125,000
Other Revenues and Gains	492,888	1,086,532	14,027	7	-	1,593,454
Net Assets Released from Restrictions	1,075,708	-	-	3,055	-	1,078,763
Total Revenues and Other Additions	3,468,263	4,661,101	15,825,359	58,673	307,919	24,321,315
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	780,313	-	-	-	-	780,313
Student Activities and Programs	294,584	1,674,426	-	-	-	1,969,010
Housing	-	-	16,423,227	-	-	16,423,227
Other University Support	232,463	-	-	5,000	-	237,463
Other Programs	-	-	-	60,030	243,621	303,651
Management and General	1,146,653	2,453,596	478,367	44,000	60,943	4,183,559
Fundraising	762,457	-	-	-	-	762,457
Total Expenses and Other Deductions	3,216,470	4,128,022	16,901,594	109,030	304,564	24,659,680
Change in Unrestricted Net Assets	251,793	533,079	(1,076,235)	(50,357)	3,355	(338,365)
Changes in Temporarily Restricted Net Assets						
Contributions	1,260,702	-	-	-	-	1,260,702
Investment Income	437,844	-	-	-	-	437,844
Other Gains	122,269	-	-	-	-	122,269
Net Assets Released from Restrictions	(1,075,708)	-	-	(3,055)	-	(1,078,763)
Change in Temporarily Restricted Net Assets	745,107	-	-	(3,055)	-	742,052
Changes in Permanently Restricted Net Assets						
Contributions	551,279	-	-	-	-	551,279
Change in Permanently Restricted Net Assets	551,279	-	-	-	-	551,279
CHANGE IN NET ASSETS	1,548,179	533,079	(1,076,235)	(53,412)	3,355	954,966
Net Assets - Beginning of Year	21,727,260	13,746,663	(6,697,663)	181,478	151,191	29,108,929
NET ASSETS - END OF YEAR	$ 23,275,439	$ 14,279,742	$ (7,773,898)	$ 128,066	$ 154,546	$ 30,063,895

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2017:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Unrestricted Net Assets						
Revenues and Other Additions:						
Contributions	$ 732,725	$ -	$ -	$ 73,650	$ -	$ 806,375
Sales and Services	-	-	-	-	283,875	283,875
Student Fees	-	2,790,612	-	-	-	2,790,612
Grants and Contracts	-	-	-	6,945	23,916	30,861
Rental Income	-	-	12,373,175	-	-	12,373,175
Investment Income	244,729	600,768	116,852	960	-	963,309
Service Fees Income	1,125,000	-	-	-	-	1,125,000
Other Revenues and Gains	196,540	1,081,742	29,726	103	-	1,308,111
Net Assets Released from Restrictions	1,078,619	-	-	-	-	1,078,619
Total Revenues and Other Additions	3,377,613	4,473,122	12,519,753	81,658	307,791	20,759,937
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	747,677	-	-	-	-	747,677
Student Activities and Programs	-	1,557,539	-	-	-	1,557,539
Housing	-	-	12,529,600	-	-	12,529,600
Other University Support	388,935	-	-	-	-	388,935
Other Programs	260,295	-	-	122,486	269,825	652,606
Management and General	1,225,525	2,078,109	194,124	46,133	38,933	3,582,824
Fundraising	462,533	-	-	-	1,389	463,922
Total Expenses and Other Deductions	3,084,965	3,635,648	12,723,724	168,619	310,147	19,923,103
Change in Unrestricted Net Assets	292,648	837,474	(203,971)	(86,961)	(2,356)	836,834
Changes in Temporarily Restricted Net Assets						
Contributions	1,457,236	-	-	3,055	-	1,460,291
Investment Income	1,470,977	-	-	-	-	1,470,977
Other Expenses and Losses	(173,238)	-	-	-	-	(173,238)
Net Assets Released from Restrictions	(1,078,619)	-	-	-	-	(1,078,619)
Change in Temporarily Restricted Net Assets	1,676,356	-	-	3,055	-	1,679,411
Changes in Permanently Restricted Net Assets						
Contributions	1,424,854	-	-	-	-	1,424,854
Change in Permanently Restricted Net Assets	1,424,854	-	-	-	-	1,424,854
CHANGE IN NET ASSETS	3,393,858	837,474	(203,971)	(83,906)	(2,356)	3,941,099
Net Assets - Beginning of Year	18,333,402	12,909,189	(6,493,692)	265,384	153,547	25,167,830
NET ASSETS - END OF YEAR	$ 21,727,260	$ 13,746,663	$ (6,697,663)	$ 181,478	$ 151,191	$ 29,108,929

In 2018, UPI contributed $10,000 to form UPI II, Inc., an entity which was created in order to facilitate the financing of capital projects intended to benefit the University. UPI II, Inc.'s activity during 2018 was de minimis, and accordingly it is not included in the tables of condensed component unit information presented above.

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 $80,627,129 and $81,431,210 at June 30, 2018 and 2017, respectively.

The State System invests its funds in accordance with *Board of Governors' Policy 1986-02-A, Investment,* which authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, bankers' 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 may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. In addition, the University 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.

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 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

CMO Risk: CMOs sometimes are 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Moody's Rating: The State System 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.

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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.

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. 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 had no local investments recorded at fair value as of June 30, 2018 and 2017.

University Local Deposits and Investments: At June 30, 2018 and 2017, the carrying amount of the University's demand and time deposits were $3,443,093 and $3,167,019, respectively, as compared to bank balances of $3,310,860 and 3,166,713, respectively. The differences are primarily caused by items in-transit and outstanding checks. Of the bank balances at June 30, 2018 and 2017, $250,000 was covered by federal government depository insurance or were collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions; $3,060,860 and $2,916,713, respectively, were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2018 and 2017, none of the University's demand and time deposits were exposed to foreign currency risk.

Short-term investments at June 30, 2018 and 2017 consist of certificates of deposit carried at cost, which approximates fair value.

NOTE 4 CAPITAL ASSETS

Capital assets and the changes therein are summarized as follows:

	Estimated Lives (in Years)	Beginning Balance July 01, 2017	Additions	Retirements	Reclassifications	Ending Balance June 30, 2018
Capital Assets Not Being Depreciated:						
Land		$ 6,259,241	$ 153,467	$ -	$ -	$ 6,412,708
Construction in Progress		1,985,762	11,230,788	-	(599,387)	12,617,163
Total Capital Assets Not Being Depreciated		8,245,003	11,384,255	-	(599,387)	19,029,871
Capital Assets Being Depreciated:						
Buildings, Including Improvements	10-40	123,097,021	1,887,956	-	559,492	125,544,469
Improvements Other Than Buildings	20	24,877,269	145,875	-	39,895	25,063,039
Furnishings and Equipment	Varies	23,785,655	1,109,681	(104,987)	-	24,790,349
Library Books	10	6,207,880	2,868	(325,292)	-	5,885,456
Total Capital Assets Being Depreciated		177,967,825	3,146,380	(430,279)	599,387	181,283,313
Less Accumulated Depreciation:						
Buildings, Including Improvements		(72,443,606)	(4,518,084)	-	-	(76,961,690)
Furnishings and Equipment		(18,900,610)	(1,474,459)	104,987	-	(20,270,082)
Library Books		(5,885,493)	(76,342)	325,292	-	(5,636,543)
Total Accumulated Depreciation		(97,229,709)	(6,068,885)	430,279	-	(102,868,315)
Total Capital Assets Being Depreciated, Net		80,738,116	(2,922,505)	-	599,387	78,414,998
Capital Assets, Net		$ 88,983,119	$ 8,461,750	$ -	$ -	$ 97,444,869

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Estimated Lives (in Years)	Beginning Balance July 01, 2016	Additions	Retirements	Reclassifications	Ending Balance June 30, 2017
Capital Assets Not Being Depreciated:						
Land		$ 6,259,241	$ -	$ -	$ -	$ 6,259,241
Construction in Progress		1,383,520	1,240,382	-	(638,140)	1,985,762
Total Capital Assets Not Being Depreciated		7,642,761	1,240,382	-	(638,140)	8,245,003
Capital Assets Being Depreciated:						
Buildings, Including Improvements	10-40	120,791,087	1,776,559	-	529,375	123,097,021
Improvements Other Than Buildings	20	24,379,763	430,715	-	66,791	24,877,269
Furnishings and Equipment	Varies	22,576,183	1,167,498	-	41,974	23,785,655
Library Books	10	6,202,505	13,791	(8,416)	-	6,207,880
Total Capital Assets Being Depreciated		173,949,538	3,388,563	(8,416)	638,140	177,967,825
Less Accumulated Depreciation:						
Buildings, Including Improvements		(68,068,222)	(4,375,384)	-	-	(72,443,606)
Furnishings and Equipment		(17,396,501)	(1,504,109)	-	-	(18,900,610)
Library Books		(5,805,239)	(88,670)	8,416	-	(5,885,493)
Total Accumulated Depreciation		(91,269,962)	(5,968,163)	8,416	-	(97,229,709)
Total Capital Assets Being Depreciated, Net		82,679,576	(2,579,600)	-	638,140	80,738,116
Capital Assets, Net		$ 90,322,337	$ (1,339,218)	$ -	$ -	$ 88,983,119

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2018	2017
Employees	$ 7,059,035	$ 6,815,930
Suppliers and Services	4,215,854	1,562,334
Other	1,316,759	1,207,555
Total	$ 12,591,648	$ 9,585,819

NOTE 6 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 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 Governor's 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 for the years ended June 30, 2018 and 2017 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2017	Bonds Issued	Bonds Redeemed	Balance June 30, 2018
Series AH	4.67%	$ 8,987,601	$ -	$ (4,907,601)	$ 4,080,000
Series AI	4.19%	1,656,579	-	(219,703)	1,436,876
Series AJ	4.88%	2,780,883	-	(145,328)	2,635,555
Series AK	4.00%	46,700	-	(14,929)	31,771
Series AL	5.00%	2,358,178	-	(470,420)	1,887,758
Series AM	4.65%	6,598,113	-	(485,891)	6,112,222
Series AN	5.00%	1,587,023	-	(272,894)	1,314,129
Series AP	4.34%	123,574	-	(15,731)	107,843
Series AQ	4.71%	4,738,030	-	(433,119)	4,304,911
Series AS	3.72%	10,113,590	-	(1,068,043)	9,045,547
Series AU	3.51%	-	4,147,434	-	4,147,434
Total Bonds Payable		$ 38,990,271	$ 4,147,434	$ (8,033,659)	35,104,046
Plus: Unamortized Bond Premium					2,598,659
Outstanding at End of Year					$ 37,702,705

NOTE 6 BONDS PAYABLE (CONTINUED)

	Weighted Average Interest Rate	Balance July 1, 2016	Bonds Issued	Bonds Redeemed	Balance June 30, 2017
Series AH	4.67%	$ 9,488,902	$ -	$ (501,301)	$ 8,987,601
Series AI	4.19%	1,867,648	-	(211,069)	1,656,579
Series AJ	4.88%	2,916,881	-	(135,998)	2,780,883
Series AK	4.00%	61,107	-	(14,407)	46,700
Series AL	5.00%	2,810,285	-	(452,107)	2,358,178
Series AM	4.65%	7,062,952	-	(464,839)	6,598,113
Series AN	5.00%	1,851,191	-	(264,168)	1,587,023
Series AP	4.34%	138,785	-	(15,211)	123,574
Series AQ	4.71%	5,145,433	-	(407,403)	4,738,030
Series AS	3.72%	10,611,895	-	(498,305)	10,113,590
Total Bonds Payable		$ 41,955,079	$ -	$ (2,964,808)	38,990,271
Plus: Unamortized Bond Premium					2,483,145
Outstanding at End of Year					$ 41,473,416

NOTE 6 BONDS PAYABLE (CONTINUED)

Principal and interest maturities for each of the next five years as of June 30, 2018 and in subsequent five-year periods ending June 30 are as follows:

Series		2019	2020	2021	2022	2023	2023-2028	2028-2033	2033-2038	Total
AH	Principal	$ 195,000	$ 205,000	$ 215,000	$ 222,500	$ 232,500	$ 1,332,500	$ 1,677,500	$ -	$ 4,080,000
	Interest	190,803	181,053	172,853	164,253	155,353	599,041	254,650	-	1,718,006
	Total	385,803	386,053	387,853	386,753	387,853	1,931,541	1,932,150	-	5,798,006
AI	Principal	228,338	237,097	247,199	256,840	197,252	270,150	-	-	1,436,876
	Interest	61,443	52,310	42,529	32,023	20,787	16,007	-	-	225,099
	Total	289,781	289,407	289,728	288,863	218,039	286,157	-	-	1,661,975
AJ	Principal	149,854	159,577	164,694	174,811	180,321	1,054,570	636,727	115,001	2,635,555
	Interest	126,891	119,398	111,419	103,184	94,444	333,423	110,232	5,750	1,004,741
	Total	276,745	278,975	276,113	277,995	274,765	1,387,993	746,959	120,751	3,640,296
AK	Principal	15,600	16,171	-	-	-	-	-	-	31,771
	Interest	1,271	647	-	-	-	-	-	-	1,918
	Total	16,871	16,818	-	-	-	-	-	-	33,689
AL	Principal	495,102	518,987	543,669	15,000	20,000	105,000	130,000	60,000	1,887,758
	Interest	94,388	69,633	43,683	16,500	15,750	63,750	35,000	4,500	343,204
	Total	589,490	588,620	587,352	31,500	35,750	168,750	165,000	64,500	2,230,962
AM	Principal	349,565	366,805	385,235	404,259	424,472	2,444,576	1,737,310	-	6,112,222
	Interest	285,429	267,951	249,610	230,349	210,136	729,445	167,423	-	2,140,343
	Total	634,994	634,756	634,845	634,608	634,608	3,174,021	1,904,733	-	8,252,565
AN	Principal	284,952	297,174	313,835	328,051	90,117	-	-	-	1,314,129
	Interest	53,816	38,533	22,320	4,853	343	-	-	-	119,865
	Total	338,768	335,707	336,155	332,904	90,460	-	-	-	1,433,994
AP	Principal	16,186	16,836	17,486	18,201	19,111	20,023	-	-	107,843
	Interest	4,887	4,240	3,566	2,867	1,957	1,001	-	-	18,518
	Total	21,073	21,076	21,052	21,068	21,068	21,024	-	-	126,361
AQ	Principal	454,491	477,261	501,486	526,323	552,674	1,792,676	-	-	4,304,911
	Interest	215,246	192,521	168,658	143,584	117,268	180,381	-		1,017,658
	Total	669,737	669,782	670,144	669,907	669,942	1,973,057	-		5,322,569
AS	Principal	1,386,497	1,411,196	1,438,826	1,469,804	604,241	2,734,983	-	-	9,045,547
	Interest	325,182	297,452	269,228	240,451	166,961	350,242	-	-	1,649,516
	Total	1,711,679	1,708,648	1,708,054	1,710,255	771,202	3,085,225	-	-	10,695,063
AU	Principal	188,568	358,923	377,137	395,351	415,708	2,411,747	-	-	4,147,434
	Interest	207,372	197,943	179,997	161,140	141,373	373,548	-	-	1,261,373
	Total	395,940	556,866	557,134	556,491	557,081	2,785,295	-	-	5,408,807
Total	Principal	3,764,153	4,065,027	4,204,567	3,811,140	2,736,396	12,166,225	4,181,537	175,001	35,104,046
	Interest	1,566,728	1,421,681	1,263,863	1,099,204	924,372	2,646,838	567,305	10,250	9,500,241
	Total	$ 5,330,881	$ 5,486,708	$ 5,468,430	$ 4,910,344	$ 3,660,768	$ 14,813,063	$ 4,748,842	$ 185,251	$ 44,604,287

NOTE 6 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. The State System will issue bonds to provide a pool for funding for AFRP ($13,298,828 and $17,539,964 was outstanding at June 30, 2018 and 2017, respectively). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. 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 under the AFRP pool of funding were as follows:

	2018	2017
Balance at July 1	$ 1,160,531	$ 1,442,933
Repayments	(280,615)	(282,402)
Balance at June 30	$ 879,916	$ 1,160,531

NOTE 7 LEASES

The University has entered into noncancelable lease agreements which have been reported as operating leases in the accompanying financial statements. Future minimum payments at June 30, 2018 for leases with initial or remaining terms of one year or more are as follows:

Year Ending June 30,	Amount
2019	$ 766,743
2020	792,495
2021	808,428
2022	836,537
2023	726,942
Thereafter	33,584,413
Total	$ 37,515,558

Total rent expense for operating leases in 2018 and 2017 was $1,365,097 and $1,340,970, respectively.

NOTE 8 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2018	2017
Student Tuition and Fees	$ 2,671,422	$ 3,048,174
Grants	196,779	329,006
Sales and Services and Other	867,357	1,227,020
Total	$ 3,735,558	$ 4,604,200

NOTE 9 COMPENSATED ABSENCES

Changes in the compensated absences liability were as follows during 2018 and 2017:

	2018	2017
Balance at July 1	$ 6,868,932	$ 6,518,948
Current Changes in Estimate	805,608	753,450
Payouts	(506,819)	(403,466)
Balance at June 30	$ 7,167,721	$ 6,868,932

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB)

Other postretirement 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 non-represented 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.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (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, 2018, and 2017:

	SSHE Plan		REHP		PSERS		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net OPEB liabilities	$86,859,889	$65,697,848	$52,210,325	*	$172,587	*	$139,242,801	$65,697,848
Deferred outflows of resources:								
Net difference between projected and actual								
investment earnings on OPEB plan investments	N/A	N/A	-	*	187	*	187	*
Contributions after the measurement date	2,201,312	*	1,277,749	*	8,037	*	3,487,098	*
Total deferred outflows of resources	2,201,312	-	1,277,749	-	8,224	-	3,487,285	-
Deferred inflows of resources:								
Net difference between projected and actual								
investment earnings on OPEB plan investments	N/A	N/A	43,606	*	-	*	43,606	*
Changes in assumptions	7,099,333	*	4,757,073	*	8,045	*	11,864,451	*
Changes in proportion	N/A	N/A	-	*	1,918	*	1,918	*
Total deferred inflows of resources	7,099,333	-	4,800,679	-	9,963	-	11,909,975	-
OPEB expense	3,492,652	4,505,781	2,423,747	1,933,169	14,209	9,438	5,930,608	6,448,388
Contributions recognized by OPEB plans	-	N/A	1,277,749	*	8,037	*	1,285,786	-

**Information is not reported because GASB 75 actuarial valuations were not performed for prior years and fiscal year 2016/17 was not restated.*

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $2,201,312 for the System Plan, $1,277,749 for the REHP plan, and $8,037 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Amortization		
Fiscal Year Ended	SSHE	REHP	PSER
June 30, 2019	$ 1,419,867	$ 1,021,002	$ 1,731
June 30, 2020	1,419,867	1,021,002	1,590
June 30, 2021	1,419,867	1,021,002	1,590
June 30, 2022	1,419,867	1,021,002	1,590
June 30, 2023	1,419,865	717,097	1,637
Thereafter	-	(426)	1,825

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

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. Non-spouse 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 retirees continue to receive the same benefits to which they were entitled at retirement.

A total of 12,511 employees are covered by the benefit terms, including 7,762 inactive employees currently receiving benefit payments, 52 inactive employees entitled to but not yet receiving benefits, and 4,697 active employees. 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.

Funding Policy:

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, 2018:

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Funding Policy (Continued):

- 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 2.75% of their final annual gross salary at the time of retirement.

Actuarial Assumptions and Other Inputs

The actuarial valuation on which the total OPEB liability is based is dated July 1, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date of July 1, 2017. 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:

- Inflation of 2.2%.
- Healthcare cost trend rate of 6.0% in 2017 and 5.5% in 2018 through 2023, with rates gradually decreasing from 5.4% in 2024 to 3.9% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model. The healthcare cost trend rate was updated based on the Society of Actuaries Getzen Model.
- Annual salary increase of 4%, updated from 3%.
- 90% of employees 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 2020 is 40% of the projected premiums in excess of the annual limits.
- The annual cost of living increase beginning in 2018 is assumed to be 2.2% per year.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- 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 RP-2014 Total Mortality Tables, which incorporate rates based on a generational projection using Scale MP-2017 to reflect mortality improvement, updated from Scale MP-2016.
- The discount rate increased from 2.49% to 3.13%, based on S&P Municipal Bond 20 Year High Grade Rate Index.
- Participant data is based on census information as of July 1, 2016.
- Experience was last reviewed in 2012 for withdrawal and retirement. Experience for election percentages were reviewed in 2017. Neither of these reviews were published in a formal study.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all retirees, regardless of employee bargaining unit when active and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.9%) or one percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates (6.0% decreasing to 3.9%).

Sensitivity of the System Plan's Proportionate Share of the University's

Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease	Current Rate	1% Increase
2018	$ 71,918,616	$ 86,859,889	$ 106,360,783

The following presents the University's net OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current healthcare cost trend rates (3.13%).

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

	1% Decrease	Current Rate	1% Increase
	2.13%	3.13%	4.13%
2018	$ 74,612,767	$ 86,859,889	$ 102,374,430

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

OPEB Liability

The System Plan's total OPEB liability of $86,859,889 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Changes in the System Plan Total OPEB Liability		Fiscal Year Ending June 30, 2018
Total OPEB Liability - Beginning Balance		$ 92,599,171
Service Cost		2,816,946
Interest		2,284,346
Changes in Assumptions		(8,294,023)
Benefit Payments		(2,546,551)
	Net Changes	(5,739,282)
Total OPEB Liability - Ending Balance		$ 86,859,889
Covered Employee Payroll		$ 35,233,447
OPEB Liability as a Percent of Covered Payroll		246.53%

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. Benefit provisions are established and may be amended under pertinent statutory authority. 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.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Plan Description (Continued)

The REHP 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 plan they choose, 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. Non-spouse dependents may be covered until age 26.

Funding Policy:

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, 2018:

- 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 period July 1, 2017, through January 18, 2018, and $188 from January 19, 2018, though June 30, 2018. The rate was $362 per biweekly pay period during the fiscal year ended June 30, 2017.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Inflation of 2.60%.
- Healthcare cost trend rate of 6.0% in 2017 and 5.9% in 2018, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2016_a.
- 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, 2016.
- Projected benefits based on estimates of future years of service and projected health benefit costs.

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 through 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 valuation, where applicable.

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

- Discount rate of 3.58% as of June 30, 2017, and 2.85% as of June 30, 2016.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the 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:

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	47.0%	7.5%
International Equity	20.0%	8.5%
Fixed Income	25.0%	3.0%
Real Estate	8.0%	3.0%
Cash	0.0%	1.0%
Total	100.00%	

The actuarial valuation on which the total REHP OPEB liability is based was dated July 1, 2017. 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 July 1, 2017.

The following presents the University's share of the REHP net OPEB liability at June 30, 2018, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.9%) or one percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates (6.0% decreasing to 3.9%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease	Current Rate	1% Increase
2018	$ 45,310,452	$ 52,210,325	$ 62,539,208

The following presents the University's share of the REHP net OPEB liability at June 30, 2017, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current healthcare cost trend rates (3.58%):

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
2018	$ 61,173,547	$ 52,210,325	$ 46,265,409

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Fiduciary Net Position

The REHP is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The CAFR is an audited financial statement and is available at www.budget.pa.us.

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.

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. Plan members receiving benefits are not required to make contributions.

Funding Policy

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, 2018 and 2017. 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 State System actually contributed was 0.415% of covered payroll.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2017, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2016, to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- 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 and assume a trend rate of between 5% and 8%.
- 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, 2015, determined the employer contribution rate for fiscal year 2016/17.
- 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-2000 Combined Healthy Annuitant Tables with age set-back 3 for both males and females for healthy annuitants and for dependent beneficiaries, with adjustments made for disabled annuitants.

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

- The discount rate used to measure the total OPEB liability was 3.13% at June 30, 2017, and 2.71% at June 30, 2016.
- 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.

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs

- 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 3.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.
- 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, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
Total	100.00%	

The actuarial valuation on which the total Premium Assistance OPEB liability is based was dated June 30, 2016. 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 0.18% for the measurement date of June 30, 2017.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2018, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 7%) or one percentage point higher (between 6% and 9%) than the current healthcare cost trend rates (between 5% and 8%):

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease	Current Rate	1% Increase
2018	$ 172,541	$ 172,587	$ 172,634

NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2017, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current healthcare cost trend rates (3.13%):

Sensitivity of the Premium Assistance Net OPEB
Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 2.13%	Current Rate 3.13%	1% Increase 4.13%
2018	$ 196,161	$ 172,587	$ 152,990

Fiduciary Net Position

For purposes of measuring the net 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 PSERS, and additions to and deductions from PSERS' fiduciary net position, have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at www.psers.pa.gov.

NOTE 11 PENSION BENEFITS

The University's employees enroll in one of three available retirement plans upon employment. The Public School Employees' Retirement System (PSERS) and the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) are governmental cost-sharing multiple-employer defined benefit plans. The Alternative Retirement Plan (ARP) is a defined contribution plan administered by the State System.

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, 2018 and 2017.

NOTE 11 PENSION BENEFITS (CONTINUED)

	SERS		PSERS		ARP		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Pension Liabilities	$ 36,613,198	$ 39,785,537	$ 4,197,688	$ 4,627,376	$ -	$ -	$ 40,810,886	$ 44,412,913
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	619,054	574,297	43,788	-	-	-	662,842	574,297
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	3,343,572	97,290	257,914	-	-	97,290	3,601,486
Changes in Assumptions	1,833,072	2,430,181	114,045	167,035	-	-	1,947,117	2,597,216
Difference Between Employer Contributions and Proportionate Share of Contributions	-	-	25,311	28,452	-	-	25,311	28,452
Changes in Proportion	875,320	618,307	75,185	131,224	-	-	950,505	749,531
Contributions After the Measurement Date	2,324,996	2,245,410	500,921	333,567	-	-	2,825,917	2,578,977
Total Deferred Outflows of Resources	$ 5,652,442	$ 9,211,767	$ 856,540	$ 918,192	$ -	$ -	$ 6,508,982	$ 10,129,959
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	$ 695,195	$ -	$ 25,343	$ 38,563	$ -	$ -	$ 720,538	$ 38,563
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	1,455,721	890,160	-	-	-	-	1,455,721	890,160
Difference Between Employer Contributions and Proportionate Share of Contributions	211,453	184,606	-	-	-	-	211,453	184,606
Changes in Proportion	574,060	843,596	60,871	33,723	-	-	634,931	877,319
Total Deferred Inflows of Resources	$ 2,936,429	$ 1,918,362	$ 86,214	$ 72,286	$ -	$ -	$ 3,022,643	$ 1,990,648
Pension Expense	$ 5,544,113	$ 4,427,634	$ 617,409	$ 1,018,945	$ 3,170,331	$ 3,152,582	$ 9,331,853	$ 8,599,161
Contributions Recognized by Pension Plans	$ 4,140,268	$ 3,614,873	$ 382,571	$ 333,567	N/A	N/A	$ 4,522,839	$ 3,948,440

NOTE 11 PENSION BENEFITS (CONTINUED)

The University will recognize the $2,324,996 reported as 2018 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $500,921 reported as 2018 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amortization	
Fiscal Year Ended	SERS	PSERS
June 30, 2019	$ 822,299	$ 94,305
June 30, 2020	614,172	135,149
June 30, 2021	(330,845)	61,205
June 30, 2022	(740,407)	(21,256)
June 30, 2023	25,798	-
Total	$ 391,017	$ 269,403

SERS

Plan Description

SERS is the administrator of a cost-sharing multiple-employer defined benefit plan established by the Commonwealth to provide pension 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. 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 are given the option, to participate. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

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.

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.

Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. Most members of SERS, and all state employees hired after June 30, 2001, and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. The multiplier for Class AA is 1.25, which translates into an annual benefit of 2.5% of the member's highest three-year average salary multiplied by years of service. The general annual benefit for Class A members is 2% of the member's highest three-year average salary multiplied by years of service. Act 120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service, while the Class A-4 benefit accrual rate is 2.5%. State police, judges, Magisterial District Judges, and legislators are in separate classes with varying benefits.

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

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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. Act 120, however, imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for Commonwealth fiscal year 2015/16 was 4.5% and will no longer apply effective July 1, 2017.

The University contributed at actuarially determined rates of between 23.80% and 34.44% of active members' annual covered payroll at June 30, 2017. The University's contributions to SERS for the years ended June 30, 2018, 2017, and 2016, were $4,140,268, $3,614,873, and $2,947,596, respectively, equal to the required contractual contribution.

Contribution rates for most active members is 6.25% of gross salary. The contribution rate for other members ranges between 5% and 9.3% of salary depending upon when the member was hired and what class of membership was elected.

Assumptions

The total SERS pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

- Entry age actuarial cost method.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.60%.
- Investment return of 7.25%, net of expenses 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.
- Ad hoc cost of living adjustments (COLAs).

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Assumptions (Continued)

Some of the methods and assumptions mentioned above are based on the *18th Investigation of Actuarial Experience*, an actuarial experience study conducted by SERS to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. Published in March 2016, it analyzed experience from 2011 through 2015. 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 projected cost, but the overall result was a slight increase to the net pension liability.

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 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. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2017 and 2016 are summarized below:

The following depicts asset allocation as of December 31, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0%	8.00%
Global Public Equity	43.0%	5.30%
Real Assets	12.0%	5.44%
Multi-Strategy	12.0%	5.10%
Fixed Income	14.0%	1.63%
Cash	3.0%	(0.25)%
Total	100.0%	

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Assumptions (Continued)

The following depicts asset allocation as of December 31, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0%	8.00%
Global Public Equity	43.0%	5.30%
Real Assets	12.0%	5.44%
Multi-Strategy	12.0%	4.75%
Fixed Income	14.0%	1.63%
Cash	3.0%	(0.25)%
Total	100.0%	

The discount rate used to measure the total SERS pension liability was 7.25%. 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 active 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 calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate for 2017 and 2016, respectively:

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

	1% Decrease	Current Rate	1% Increase
	6.25%	7.25%	8.25%
2017	$ 46,473,565	$ 36,613,196	$ 28,166,649
	6.25%	7.25%	8.25%
2016	$ 49,236,453	$ 39,785,537	$ 31,692,190

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Fiduciary Net Position

The fiduciary net positions of SERS, as well as additions to and deductions from SERS fiduciary net positions, have been determined on the same basis as they are reported in the SERS financial statements, which can be found at www sers.state.pa.us. The plan schedules of SERS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Detailed information on investment valuation can be found in the SERS financial statements. Management of SERS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ.

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

At June 30, 2018, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2017 was $36,613,198. At June 30, 2017, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2016 was $39,785,537.

The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the 2017 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2018/19 from the December 31, 2017 funding valuation to the expected funding payroll. For the allocation of the 2016 amounts this methodology applies the most recently calculated contribution rates for fiscal year 2017/18 from the December 31, 2016 funding valuation to the expected funding payroll. At December 31, 2017, the State System's proportion was 4.906% an increase of 0.07% from its proportion calculated as of December 31, 2016, measurement date.

NOTE 11 PENSION BENEFITS (CONTINUED)

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 (State System), 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. PSERS issues a comprehensive annual financial report that may be obtained at www.psers.state.pa.us.

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.

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided (Continued)

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 at 5.25% (Class T-C members) or at 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 at 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.

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2018 was 16.52% 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 State System, meaning that the amount that the State System actually contributed was 15.87% of covered payroll. The University's contributions to PSERS for the year ending June 30, 2018, June 30, 2017, and June 30, 2016 was $382,571, $333,537, and $306,252, respectively, equal to the required contractual contribution.

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions

The total PSERS pension liability as of June 30, 2017, was determined by rolling forward PSERS' total pension liability as of the June 30, 2016, actuarial valuation to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method is entry age normal, level percent of pay.
- Inflation of 2.75%.
- Investment return of 7.25%, including 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-2105 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.

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, 2017 and 2016:

The following depicts asset allocation as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	3.8%
Infrastructure/MLSs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative Investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0}%	1.1%
Total	100.0%	

The following depicts asset allocation as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute Return	10.0%	3.3%
Risk Parity	10.0%	3.9%
Infrastructure/MLSs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0)%	0.5%
Total	100.0%	

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total PSERS pension liability was 7.25%. 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 calculated using the discount rate of 7.25% and 7.25%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate for 2017 and 2016, respectively:

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

	1% Decrease	Current Rate	1% Increase
	6.25%	7.25%	8.25%
2017	$ 5,167,021	$ 4,197,688	$ 3,379,336
	6.25%	7.25%	8.25%
2016	$ 5,660,508	$ 4,627,375	$ 3,759,188

Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PSERS and additions to or deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported in the PSERS' financial statements. 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. Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found at www.psers.state.pa.us.

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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

At June 30, 2018 and 2017, the amount recognized as the University's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows:

	2018	2017
Total PSERS Net Pension Liability Associated With the University	$ 8,395,376	$ 9,254,750
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated With the University	4,197,688	4,627,375
University's Proportionate Share of the PSERS Net Pension Liability	$ 4,197,688	$ 4,627,375

PSERS measured the 2018 and 2017 net pension liability as of June 30, 2017 and June 30, 2016, 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, 2017, the State System's proportion was .1811%, and a decrease of .0022% from its proportion calculated as of June 30, 2016.

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 State System's contribution rate on June 30, 2018 and 2017 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2018 and 2017, were $3,170,331 and $3,152,582, respectively, from the University; and $1,609,462 and $1,602,230, respectively, from active members. No liability is recognized for the ARP.

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 less than $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims less than $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which the University contributes in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $162,203 to the Reserve Fund during the year ended June 30, 2018, was given a refund of $44,671 from the Reserve Fund during the year ended June 30, 2017 and contributed $28,080 to the Reserve Fund in 2016.

The liability for claims under the self-insurance limit and changes therein were as follows:

	2018	2017	2016
Balance at July 1	$ 504,755	$ 648,697	$ 744,330
Current Year Claims and Changes in	698,518	284,630	315,254
Payments	(464,874)	(428,572)	(410,887)
Balance at June 30	$ 738,399	$ 504,755	$ 648,697

NOTE 13 COMMITMENTS AND CONTINGENCIES

Contingencies

The nature of the education 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 (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 reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial 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.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

Cheyney University Loan Forgiveness

On August 22, 2017, the Board of Governors (Board) approved a motion to forgive $34.4 million in loans made to Cheyney University of Pennsylvania (Cheyney University or Cheyney) from the other 13 State System universities and the Office of the Chancellor, provided that Cheyney meets certain conditions that hold Cheyney accountable for operating within available financial resources. One-third will be forgiven if Cheyney reduces $7.5 million of annual expenses from its fiscal year 2017/18 current operations and maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2018/19, one-third will be forgiven when Cheyney maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2019/20, and the remaining third will be forgiven when Cheyney maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2020/21. Cheyney has advised the Board that it has successfully met the first criteria of cutting $7.5 million from its fiscal year 2017/18 budget when the expenditure cuts are viewed on an annualized basis.

Cheyney University has been borrowing the funds under a line-of-credit arrangement from the State System's pooled investment account since fiscal year 2013/14. The loans have been shown only at the consolidated State System financial statements level, as a reduction of the pooled investment account, since the expectation has been that Cheyney would repay the loans and the individual universities would not be affected. East Stroudsburg University will record its share of the expense and reduction of the pooled investments account only as the loan forgiveness conditions are met. An allocation of the loan forgiveness to each of the universities has not been finalized, and East Stroudsburg University's share of the liability is unknown.

Information regarding Cheyney's financial condition and other factors that may affect Cheyney's ability to meet the loan forgiveness conditions are described in the State System's consolidated financial statements, which are available at the State System's website, http://www.passhe.edu/inside/anf/accounting/Pages/Financial-Statements.aspx, and in Cheyney University's financial statements, which are available by contacting the university at 1837 University Circle, Cheyney, PA, 19319.

Construction Commitments

Authorized expenditures for construction projects unexpended were approximately $7,837,000 and $386,458 as of June 30, 2018 and 2017, respectively.

NOTE 14 RATINGS ACTIONS

The State System's outstanding bonds are assigned an Aa3 rating from *Moody's Investors Service, Inc.* as well as an A+ rating from *Fitch Ratings,* a downgrade from last year's AA- rating. In August 2018, both Moody's and Fitch revised their outlooks for the rating from *negative* to *stable*.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF FUNDING PROGRESS FOR THE SYSTEM PLAN AND REHP (OPEB)
JUNE 30, 2018 AND 2017
(UNAUDITED)

University System Plan OPEB Liability
Determined as of the June 30 measurement dates

Changes in the System Plan Total OPEB Liability		Fiscal Year Ending June 30, 2018
Total OPEB Liability - Beginning Balance		$ 92,599,171
Service Cost		2,816,946
Interest		2,284,346
Changes in Assumptions		(8,294,023)
Benefit Payments		(2,546,551)
	Net Changes	(5,739,282)
Total OPEB Liability - Ending Balance		$ 86,859,889
Covered Employee Payroll		$ 35,233,447
OPEB Liability as a Percent of Covered Payroll		246.53%

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	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2017/18	4.374%	$ 52,210	$ 7,117	733.5%	1.4%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS REHP	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 1,278	$ 1,278	$ -	$ 7,920	16.13%

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF FUNDING PROGRESS FOR THE SYSTEM PLAN
AND REHP (OPEB)
JUNE 30, 2018 AND 2017
(UNAUDITED)

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

	PSERS Net OPEB Liability				University's	University's Proportionate Share of Net OPEB	PSERS Fiduciary
Fiscal Year	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total	Covered Employee Payroll	Liability as a % of Covered-Employee Payroll	Net Position as a % of Total OPEB Liability
2017/18	0.1811%	$ 173	$ 173	$ 345	$ 2,253	7.66%	5.73%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 8	$ 8	$ -	$ 2,316	0.35%

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF SERS/PSERS CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(UNAUDITED)

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 2,529	$ 2,529	$ -	$ 13,464	18.8%
2015/16	$ 2,948	$ 2,948	$ -	$ 12,677	23.3%
2016/17	$ 3,614	$ 3,614	$ -	$ 13,162	27.5%
2017/18	$ 4,140	$ 4,140	$ -	$ 13,422	30.85%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 267	$ 267	$ -	$ 2,360	11.3%
2015/16	$ 306	$ 306	$ -	$ 2,526	12.1%
2016/17	$ 334	$ 334	$ -	$ 2,321	14.4%
2017/18	$ 384	$ 384	$ -	$ 2,316	16.6%

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF PROPORTIONATE SHARE OF SERS/PSERS NET PENSION LIABILITY
JUNE 30, 2018 AND 2017
(UNAUDITED)

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 Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	4.9010%	$ 33,009	$ 13,464	245%	64.8%
2015/16	4.7208%	$ 37,933	$ 13,156	288%	58.9%
2016/17	4.8370%	$ 39,786	$ 12,846	310%	57.8%
2017/18	4.9059%	$ 36,613	$ 13,340	275%	63.0%

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

	PSERS Net Pension Liability						
Fiscal Year	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	0.1785%	$ 3,661	$ 3,661	$ 7,322	$ 1,180	310%	57.2%
2015/16	0.1852%	$ 4,098	$ 4,098	$ 8,196	$ 2,435	200%	54.4%
2016/17	0.1833%	$ 4,627	$ 4,627	$ 9,255	$ 2,419	200%	50.1%
2017/18	0.1811%	$ 4,198	$ 4,198	$ 8,395	$ 2,264	200%	51.8%

CliftonLarsonAllen

A member of Nexia International