

**Pennsylvania State System Of Higher Education,
Commonwealth of Pennsylvania**

Financial Statements and
Supplementary Information

June 30, 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
BALANCE SHEET	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	12
STATEMENT OF CASH FLOWS	13
COMPONENT UNITS STATEMENT OF FINANCIAL POSITION	15
COMPONENT UNITS STATEMENT OF ACTIVITIES	16
NOTES TO FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION	31
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	46
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	50
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	52
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	54
CORRECTIVE ACTION PLAN	67

INDEPENDENT AUDITORS' REPORT

Board of Governors
Pennsylvania State System of Higher Education,
Commonwealth of Pennsylvania:

We have audited the accompanying financial statements of the Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania ("PASSHE") (a component unit of the Commonwealth of Pennsylvania) and its aggregate discretely presented component units as of and for the years ended June 30, 2010 and 2009, which collectively comprise PASSHE's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of PASSHE's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have audited the financial statements of certain of the discretely presented component units which statements reflect total assets of \$300,925,000 and \$87,022,000 as of June 30, 2010 and 2009. We did not audit the financial statements of the other aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion. The financial statements of the various component units were not audited in accordance with *Government Auditing Standards*.

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 respective financial position of PASSHE and of its aggregate discretely presented component units as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 on our consideration of PASSHE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 4 through 9 and the Required Supplementary Information on page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of PASSHE taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

ParenteBeard LLC

Wilkes-Barre, Pennsylvania
September 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As the public Universities of the Commonwealth of Pennsylvania (Commonwealth), the 14 Universities of the Pennsylvania State System of Higher Education (PASSHE) are charged with providing high quality education at the lowest possible cost to the students. With nearly 117,000 students enrolled, PASSHE is the state's largest higher education provider. Its 14 Universities offer more than 250 degree and certificate programs in more than 120 areas of study. The Universities function independently, but being part of PASSHE enables them to share resources and benefit from economies of scale. Following is an overview of PASSHE's combined financial activities for the year ended June 30, 2010, as compared to the year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- In fiscal year 2009/10, PASSHE received \$465.2 million in General Fund **appropriations** from the Commonwealth, equivalent to the General Fund appropriations received in fiscal year 2005/06, a decrease of \$32.0 million, or 6.4%, from fiscal year 2008/09.
- The Commonwealth also appropriated to PASSHE \$65.2 million of federal funds from the **American Recovery and Reinvestment Act (ARRA)** State Fiscal Stabilization Funds program in fiscal year 2009/10, comprising \$38.1 million of fiscal year 2009/10 ARRA funds and \$27.1 million of fiscal year 2008/09 ARRA funds not previously allocated.
- The Commonwealth eliminated PASSHE's fiscal year 2009/10 Realty Transfer Tax allocation from the **Keystone Recreation, Park and Conservation (Key '93) Fund**. These funds, which totaled \$13.9 million in fiscal year 2008/09, had provided a consistent revenue stream for deferred maintenance projects since 1993.
- Taking into account Key '93 funds and both years of ARRA funds, the **combined Commonwealth General Fund appropriation** in fiscal year 2009/10 totaled \$530.4 million, an increase of \$19.4 million, or 3.8%, from fiscal year 2008/09.
- Since 2001, the Commonwealth has provided capital funding of approximately \$65 million annually for construction projects on PASSHE campuses. In February 2009, the Governor committed to doubling the **Commonwealth's capital funding** for construction projects on PASSHE campuses to \$130 million annually, including an additional \$15.2 million for fiscal year 2008/09 to jump-start projects intended for construction in fiscal year 2009/10. Most of this funding is for University land and buildings that are owned by the Commonwealth and not reflected in these statements. The increased investment in Commonwealth facilities on PASSHE campuses is helping PASSHE to manage its deferred maintenance backlog and keep facilities current with technology and modern teaching methods, while enhancing PASSHE's ability to attract, retain, and educate students. The portion of capital appropriations reflected in these statements, representing the furnishings and equipment for the Commonwealth-funded construction projects, totaled \$2.4 million, a decrease of \$9.3 million from the prior year.
- As part of its continuing commitment to reward the Universities for demonstrating success and continued improvement in student achievement, University excellence, and operational efficiency, the Board allocated 8.0%, or \$35.6 million, of the base E&G appropriation for **performance funding** in fiscal year 2009/10.
- PASSHE continues to experience record **enrollment** growth. In fall 2009, enrollment was up for the thirteenth straight year, increasing 3.85% from fall 2008 to 116,935, the highest level in PASSHE's history.
- In March 2010, PASSHE embraced **work force planning** to ensure the proper alignment of human and fiscal resources with the strategic directions and operational responsibilities of the System. Recognizing the challenging economic conditions, with annual work force cost increases outpacing anticipated revenue increases, PASSHE implemented a voluntary separation incentive program during the spring of 2010. This program had two components: the Voluntary Retirement Incentive

Program offered a cash incentive payout to encourage retirement-eligible employees to retire; the Severance for Abolished Positions Program provided a lump sum payout for employees not eligible for retirement but whose positions were abolished. Although the Association of Professional State College and University Faculties (APSCUF) union declined to participate in the Voluntary Retirement Incentive Program, and both APSCUF and the State College and University Professional Association (SCUPA) unions declined to participate in the Severance for Abolished Positions Program, this initiative was highly successful. Over 285 positions were vacated, of which approximately 30% are anticipated to be eliminated. The costs of the cash incentives and associated Social Security and Medicare taxes in fiscal year 2009/10 were \$3.7 million. Additional costs will be incurred through September 30, 2010, the program termination date. It is expected that annual cost savings, due to fewer positions and replacements at lower compensation levels, will begin to be realized in fiscal year 2011/12.

- PASSHE's Board of Governors (Board) approved a tuition rate increase of 3.7% for undergraduate resident students in fiscal year 2009/10. Mandatory student fees set by the Universities increased, on average, by 6.0%. These tuition and fee increases, combined with the increase in enrollment, resulted in tuition and fee revenue (before discounts) of \$866.7 million, an increase of \$73.3 million, or 9.2%, from fiscal year 2008/09. In addition, the most common room and board fees set by the Universities increased 9.7% and 6.0%, respectively, resulting in revenue of \$225.1 million, an increase of \$2.7 million, or 1.2%, from fiscal year 2008/09.
- Fiscal year 2009/10 was the **first in five years** that PASSHE's tuition increased greater than the rate of inflation—a record no other public university system in the nation can match. Annual tuition increases typically have been anywhere from one-half to one-third the national average at other four-year public colleges and universities.
- Over the last ten years, PASSHE's overall **tuition and required fee increases have been the lowest** among all public college and university systems in the United States, according to a study by the Washington Higher Education Coordinating Board. A separate report issued this fall by the College Board indicates that the average total cost of attending a PASSHE University, including tuition, required fees, room and board, is \$564 below the national average and \$2,498 below the average charged by other four-year public colleges and universities in the Middle Atlantic region of the United States.
- PASSHE purchased \$234.8 million in **capital assets** in fiscal year 2009/10, including \$200.1 million to build or improve academic and auxiliary facilities across all 14 Universities.
- During fiscal year 2009/10, PASSHE issued Series AJ **bonds** totaling \$124.0 million to provide funds to undertake various capital projects at the Universities, including \$27.3 million for academic facilities renovations, \$8.2 million for student residences, \$4.3 million for student dining facilities, \$23.7 million for student union and recreation centers, \$38.6 million for guaranteed energy savings agreements, \$19.3 million for a parking garage, and \$2.6 million for infrastructure. In addition, PASSHE issued Series AK bonds, totaling \$47.3 million, to refund Series R and advance refund the Series S revenue bonds. This refunding was completed to reduce debt service by approximately \$5.0 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4.8 million. During the year, \$38.4 million of principal and \$39.4 million of interest was paid, bringing the total outstanding bond debt to \$825.4 million at June 30, 2010. In June 2010, Moody's Investors Service, Inc., assigned PASSHE a bond rating of Aa2. The current outlook for the rating is Stable.

THE FINANCIAL STATEMENTS

Balance Sheet

This statement reports the balances of the assets, liabilities, and net assets of PASSHE as of the end of the fiscal year. **Assets** include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation. **Liabilities** include payments due to vendors and students; the balance of bonds payable; and liabilities such as workers' compensation (PASSHE is self-insured), compensated absences (the value of sick and annual leave earned by employees), and postretirement benefits (health and tuition benefits expected to be paid to certain current and future retirees). The difference between the assets and liabilities is reported as **net assets**.

Statement of Revenues, Expenses, and Changes in Net Assets

This statement reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net assets. In

accordance with the Governmental Accounting Standards Board (GASB) requirements, PASSHE has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' **state appropriations are nonoperating revenues**. In addition, GASB requires classification of gifts, investment income and expenses, unrealized gains and losses on investments, interest expense, and losses on disposals of assets as nonoperating; PASSHE classifies all of its remaining activities as operating.

Statement of Cash Flows

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

NET ASSETS

Net assets increased by \$43.9 million in fiscal year 2009/10, as compared to a decrease of \$58.5 million in fiscal year 2008/09. Following is a summary of the balance sheet at June 30, 2010 and 2009.

<i>(In millions)</i>	June 30, 2010	June 30, 2009
Capital assets, net	\$1,464.8	\$1,343.5
Other assets	1,295.2	1,177.0
Total assets	\$2,760.0	\$2,520.5
Workers' compensation liability	\$16.5	\$15.8
Compensated absences liability	104.0	99.6
Postretirement benefits liability	722.6	662.6
Bonds payable	825.4	739.7
Other liabilities	404.3	359.5
Total liabilities	2,072.8	1,877.2
Invested in capital assets, net of related debt	615.9	570.6
Restricted	67.9	68.0
Unrestricted	3.4	4.7
Total net assets	687.2	643.3
Total liabilities and net assets	\$2,760.0	\$2,520.5

- *Invested in capital assets, net of related debt* is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation, less any associated debt (primarily bonds payable). This balance is not available for PASSHE's use in ongoing operations, since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits PASSHE from selling University land and buildings without prior approval.
- *Restricted* net assets represent the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. *Nonexpendable* restricted net assets represent corpuses of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net assets

are available for expenditure as long as any external purpose and time restrictions are met.

- *Unrestricted* net assets include funds that the Board has designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net assets reflect two unfunded liabilities:
 - The liability for **postretirement benefits** for employees who participate in the PASSHE plan increased by \$60.0 million to \$722.6 million for the year ended June 30, 2010. Because this liability is expected to be realized gradually over time, and because of its size, the Universities fund it only as it becomes due.

- The liability for **compensated absences** increased by \$4.4 million to \$104.0 million for the year ended June 30, 2010. Similar to the postretirement benefits liability, cash payouts to employees upon termination or retirement for annual and sick leave balances are expected to be realized gradually over time.

REVENUES AND EXPENSES

In addition to the changes to the appropriation and tuition revenue discussed in the Financial Highlights section of this analysis, following are the more significant revenue and expense items:

- **Financial aid** to students in the form of waivers and scholarships was \$277.4 million, an increase of \$60.5 million from the previous year. Waivers of tuition and fees are shown as a reduction of student tuition and fee revenues.
- **Investment income** (before investment expenses) for fiscal year 2009/10 was \$28.3 million, a decrease of \$7.6 million from the prior year. The decrease is due to decreasing interest rates. Interest rates decreased over the fiscal year from a high of 2.83% in July 2009 to a low of 1.60% in March 2010, or a 222-basis-point decrease from the prior fiscal year high. The 12-month average interest rate for fiscal year 2009/10 was 94 basis points lower than the average 12-month interest rate for fiscal year 2008/09.
- Universities spent \$664.2 million on **Instruction**, or 36.6% of total operating expenses, in fiscal year 2009/10. This represents an increase of \$32.9 million, or 5.2%, over fiscal year 2008/09.
- **Salaries and benefits** totaled \$1.25 billion. Salaries increased by \$26.6 million, or 3.2%, while benefits increased by \$27.9 million, or 7.8%, for an overall increase of \$54.5 million over fiscal year 2008/09:
 - Employer hospitalization benefits assessed costs increased 16.9% over fiscal year 2008/09, for a total increase of \$16.5 million. This follows an increase of 16.8% (\$14.0 million) in fiscal year 2008/09 and a decrease of 3.7% (\$3.1 million) in fiscal year 2007/08 over the prior fiscal years.
 - Employer annuitant health care assessed costs increased 4.9% over fiscal year 2008/09, for a total increase of \$5.5 million. This follows consecutive increases of 7.9% (\$8.2 million) and 4.5% (\$4.7 million) in fiscal years 2008/09 and 2007/08, respectively, over the prior fiscal years. The increases are caused not only by the increase in health care costs, but also by the increase in the number of retired employees.
 - The total cost for all other employee benefits, such as social security, retirement, and tuition waivers, increased by a total of \$5.9 million, or 4.0%, over fiscal year 2008/09, compared to an increase of \$12.2 million in fiscal year 2008/09, or 9.1%, over fiscal year 2007/08.
- **Interest expense** on capital asset-related debt was \$35.0 million, an increase of \$3.2 million over fiscal year 2008/09.

Following is a summary of revenues and expenses for the years ending June 30, 2010 and 2009.

<i>(In millions)</i>	June 30, 2010	June 30, 2009
Operating revenues		
Tuition and fees, net	\$667.4	\$637.9
Grants and contracts	301.7	252.1
Auxiliary enterprises, net	294.2	280.0
Other	37.3	37.5
Total operating revenues	1,300.6	1,207.5
Other revenues		
State appropriations	532.8	508.9
Investment income, net	27.9	35.4
Unrealized gain (loss) on investment	15.9	(2.4)
Gifts, grants, and other	26.1	23.1
Total other revenues	602.7	565.0
Total revenues	\$1,903.3	\$1,772.5

<i>(In millions)</i>	June 30, 2010	June 30, 2009
Operating expenses		
Instruction	\$664.2	\$631.3
Research	7.1	7.3
Public service	36.4	40.7
Academic support	164.8	165.6
Student services	155.1	149.7
Institutional support	246.2	240.3
Operations and maintenance of plant	140.2	144.5
Depreciation	105.7	100.1
Student aid	76.9	60.1
Auxiliary enterprises	220.2	214.6
Total operating expenses	1,816.8	1,754.2
Other expenses		
Interest expense on capital asset-related debt	35.0	31.8
Loss on disposal of assets	7.3	45.0
Total other expenses	42.3	76.8
Total expenses	\$1,859.1	\$1,831.0

FUTURE ECONOMIC FACTORS

- The effects of the prolonged national recession continue to distress the **Commonwealth's budget**. In fiscal year 2010/11, PASSHE will receive \$465.2 million in General Fund appropriations from the Commonwealth, equivalent to the General Fund appropriations received in fiscal year 2009/10—and equivalent to the appropriations received in fiscal year 2005/06. The Commonwealth also has appropriated to PASSHE \$38.2 million of federal funds from the **ARRA** State Fiscal Stabilization Funds program in fiscal year 2010/11, \$27.0 million less than the amount received in fiscal year 2009/10. Fiscal year

2010/11 is the last year for which ARRA funds are available.

- In 2010/11, for the second year in a row, the Realty Transfer Tax allocation from the **Key '93** funds to PASSHE has been eliminated by the Commonwealth. It is unclear whether or not this funding, a revenue stream for deferred maintenance projects previously consistent since 1993, will be restored in future years. These funds totaled \$13.9 million in fiscal year 2008/09.

- PASSHE anticipates the **current economic downturn** will continue to have a negative effect on PASSHE's revenue through at least fiscal year 2011/12. Of particular concerns are the elimination of ARRA State Fiscal Stabilization Funds from the Commonwealth budget, state revenue receipts that continue to fall short of revenue estimates, and a looming crisis in the Pennsylvania State Employees Retirement System. PASSHE Universities are developing multiple financial plans that focus on sustainable actions to meet current and future funding constraints.
- In June 2009, PASSHE received notification from the **State Employees' Retirement System (SERS)** that the "extended period of low and relatively stable SERS employer contribution rates is coming to an end." Rates rose 30.5% in fiscal year 2010/11. They are expected to continue to rise in 2011/12, jump sharply in 2012/13, peak in 2013/14, and remain high for the foreseeable future. SERS is working with Commonwealth leadership to explore options for mitigating rate increases, but any realistic scenario reflects significantly higher rates for a sustained period. The Pennsylvania School Employees Retirement System (PSERS) is experiencing similar problems. Approximately 50% of PASSHE's employees receiving retirement benefits are enrolled in SERS or PSERS.
- PASSHE has eight **collective bargaining agreements** with seven employee unions. The compensation packages outlined in six of these agreements, representing 89% of PASSHE employees, expire June 30, 2011. At this time, future compensation requirements are unknown for these employees.
- The Board approved a 4.5% **increase in tuition** for the 2010/11 academic year. The \$250 increase for full-time, resident undergraduate students sets the new rate at \$5,804, the lowest among all four-year colleges and universities in Pennsylvania. Despite rising cost pressures and limited state funding, PASSHE has been able to hold overall tuition and fee increases to among the lowest of all public colleges and universities in the nation.
- PASSHE's **accountability and performance funding** systems, which have been in place since 2001, have been drivers for change to serve students and the Commonwealth better. PASSHE Universities have achieved improvements in retention; graduation rates; diversity of students, faculty, and administrators; program quality; faculty productivity; and the lowering of instructional costs. The current design, which incorporates both quantitative data and qualitative information, and monitors University performance over time in comparison to peer institutions and against System performance targets, has created a culture of accountability throughout PASSHE. As such, it has served as a national model for accountability and institutional improvement. Despite these successes, however, the accountability and performance funding programs are under review to assess how well they serve the strategic directions of the System. The review will seek improvements to ensure that the measures, reporting categories, measurement strategies, methodologies, and data elements all work together. PASSHE remains committed to funding its performance program at a level equivalent to 8.0% of the E&G appropriation.
- Of all PASSHE programs eligible for **accreditation**, 79% are now accredited, up from about 53% in 2004. Students enrolling at PASSHE Universities as first-time freshmen are reporting higher average scores on the Scholastic Assessment Test (SAT) as well as higher high school grade point averages.
- In 2009/10, PASSHE became a founding member and board member of the **Keystone Initiative for Network Based Education and Research (KINBER)**, a nonprofit corporation of Pennsylvania colleges and universities, research and health care organizations, and economic development entities, created to establish and operate a high-speed network in Pennsylvania for education and research purposes. In February 2010, the Obama Administration awarded KINBER \$99.6 million in federal stimulus (ARRA) funding in response to KINBER's application for the construction and management of a robust, statewide, broadband network. When completed, the fiber-optic cable network will extend over 1,600 miles through 39 Pennsylvania counties. The network will bring new broadband capacity necessary for distance education, economic development, and telemedicine. The federal grant is being supplemented with an additional \$29 million in private investment to establish the Pennsylvania Research and Education Network (PennREN). PennREN is expected to start construction in fall 2010 and be completed early in 2013. This extraordinary collaboration is expected to benefit greatly PASSHE's students, faculty, and University communities with new economic, academic, telemedicine, and research opportunities.

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Pennsylvania State System of Higher Education
Balance Sheet

(dollars in thousands)

Assets		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current Assets		
Cash and cash equivalents	\$ 8,912	\$ 12,135
Short-term investments	393,210	306,003
Accounts receivable, net of allowance for doubtful accounts of \$19,121 in 2010 and \$20,145 in 2009	91,005	74,077
Inventories	3,833	3,996
Prepaid expenses	8,452	6,927
Current portion of loans receivable	5,483	5,938
Due from component units	18,001	15,535
Other current assets	2,767	3,400
Total Current Assets	<u>531,663</u>	<u>428,011</u>
Noncurrent Assets		
Restricted cash and cash equivalents	3,091	849
Endowment investments	23,601	21,311
Other long-term investments	697,462	685,955
Loans receivable, net of allowance for doubtful accounts of \$5,049 in 2010 and \$5,367 in 2009	32,921	33,650
Capital Assets:		
Land	24,770	22,807
Buildings, including improvements	1,553,171	1,416,840
Improvements other than buildings	211,245	193,074
Equipment and furnishings	366,450	347,486
Library books	83,848	83,529
Construction in progress	159,881	127,016
	<u>2,399,365</u>	<u>2,190,752</u>
Less accumulated depreciation	(934,565)	(847,286)
Capital assets, net	<u>1,464,800</u>	<u>1,343,466</u>
Other noncurrent assets	6,419	7,216
Total Noncurrent Assets	<u>2,228,294</u>	<u>2,092,447</u>
Total Assets	<u>\$ 2,759,957</u>	<u>\$ 2,520,458</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education
Balance Sheet

(dollars in thousands)

Liabilities and Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 197,088	\$ 164,923
Deferred revenue	51,441	50,675
Deposits	9,854	22,397
Current portion of workers' compensation liability	4,743	4,503
Current portion of compensated absences liability	10,201	10,541
Current portion of postretirement benefits liability	48,545	48,799
Current portion of capitalized lease obligations	3,138	2,908
Current portion of bonds payable	39,975	38,255
Other current liabilities	40,010	20,769
Total Current Liabilities	<u>404,995</u>	<u>363,770</u>
Noncurrent Liabilities		
Deferred revenue	2,946	4,284
Deposits	252	1,945
Workers' compensation liability	11,741	11,321
Compensated absences liability	93,841	89,057
Postretirement benefits liability	674,029	613,834
Capitalized lease obligations	44,366	40,601
Bonds payable	785,375	701,425
Other noncurrent liabilities	55,186	50,997
Total Noncurrent Liabilities	<u>1,667,736</u>	<u>1,513,464</u>
Total Liabilities	<u>2,072,731</u>	<u>1,877,234</u>
Net Assets		
Invested in capital assets, net of related debt	615,939	570,569
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	21,369	19,488
Other	1,530	1,441
Expendable:		
Scholarships and fellowships	10,992	10,072
Research	1,691	1,723
Student loans	393	490
Capital projects	26,642	27,565
Other	5,315	7,131
Unrestricted	3,355	4,745
Total Net Assets	<u>687,226</u>	<u>643,224</u>
Total Liabilities and Net Assets	<u>\$ 2,759,957</u>	<u>\$ 2,520,458</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

(dollars in thousands)

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Tuition and fees	\$ 866,663	\$ 793,443
Less scholarship discounts and allowances	(199,297)	(155,509)
Net tuition and fees	\$ 667,366	\$ 637,934
Governmental grants and contracts:		
Federal	181,809	133,789
State	107,811	106,435
Local	3,310	3,464
Nongovernmental grants and contracts	8,723	8,389
Sales and services	20,195	21,545
Auxiliary enterprises, net of discounts of \$762 in 2010 and \$877 in 2009	294,239	280,002
Other revenues	17,071	15,855
Total Operating Revenues	<u>1,300,524</u>	<u>1,207,413</u>
Operating Expenses		
Instruction	664,179	631,270
Research	7,055	7,296
Public service	36,354	40,678
Academic support	164,777	165,648
Student services	155,133	149,698
Institutional support	246,209	240,351
Operations and maintenance of plant	140,245	144,482
Depreciation	105,733	100,067
Student aid	76,944	60,136
Auxiliary enterprises	220,244	214,554
Total Operating Expenses	<u>1,816,873</u>	<u>1,754,180</u>
Operating Loss	<u>(516,349)</u>	<u>(546,767)</u>
Nonoperating Revenues (Expenses)		
State appropriations, general and restricted	465,197	497,168
ARRA State Fiscal Stabilization Funds	65,226	-
Investment income, net of related investment expense of \$433 in 2010 and \$433 in 2009	27,883	35,423
Unrealized gain (loss) on investments	15,917	(2,376)
Gifts for other than capital purposes	11,818	10,621
Interest expense on capital asset-related debt	(34,977)	(31,769)
Loss on disposal of assets	(7,312)	(44,960)
Other nonoperating revenue	1,509	1,445
Net Nonoperating Revenues	<u>545,261</u>	<u>465,552</u>
Income (loss) before other revenues	<u>28,912</u>	<u>(81,215)</u>
State appropriations, capital	2,358	11,726
Capital gifts and grants	12,732	10,955
Increase (Decrease) in Net Assets	<u>44,002</u>	<u>(58,534)</u>
Net assets—beginning of year	643,224	701,758
Net assets—end of year	<u>\$ 687,226</u>	<u>\$ 643,224</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education
Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009
(dollars in thousands)

	2010	2009
Cash Flows from Operating Activities		
Tuition and fees	\$ 660,654	\$ 639,473
Grants and contracts	290,128	273,152
Payments to suppliers for goods and services	(374,001)	(426,846)
Payments to employees	(1,158,903)	(1,138,598)
Loans issued to students	(4,427)	(6,615)
Loans collected from students	5,522	5,601
Student aid	(77,295)	(60,500)
Auxiliary enterprise charges	292,457	283,016
Sales and services	19,853	27,423
Other receipts	22,788	17,818
Net cash used by operating activities	<u>(323,224)</u>	<u>(386,076)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations, including Federal ARRA	530,423	497,168
Gifts for other than capital purposes	11,618	10,410
PLUS, Stafford, and other loans receipts (non-Perkins)	711,558	682,135
PLUS, Stafford, and other loans disbursements (non-Perkins)	(711,672)	(681,588)
Agency transactions, net	(1,640)	4,092
Other	1,509	1,445
Net cash provided by noncapital financing activities	<u>541,796</u>	<u>513,662</u>
Cash Flows from Capital Financing Activities		
Proceeds from capital debt and leases	176,536	176,994
Capital appropriations	1,784	11,551
Capital grants and gifts received	12,000	10,625
Proceeds from sales of capital assets	35	224
Purchases of capital assets	(227,339)	(216,022)
Principal paid on capital debt and leases	(88,875)	(76,888)
Interest paid on capital debt and leases	(37,033)	(29,917)
Net cash used by capital financing activities	<u>(162,892)</u>	<u>(123,433)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	24,756,520	22,723,113
Interest on investments	28,484	35,618
Purchase of investments	<u>(24,841,665)</u>	<u>(22,771,763)</u>
Net cash used by investing activities	<u>(56,661)</u>	<u>(13,032)</u>
Net Decrease in Cash and Cash Equivalents	<u>(981)</u>	<u>(8,879)</u>
Cash and cash equivalents—beginning of year	12,984	21,863
Cash and cash equivalents—end of year	<u>\$ 12,003</u>	<u>\$ 12,984</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education
Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009
(dollars in thousands)

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (516,349)	\$ (546,767)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	105,733	100,067
Expenses paid by Commonwealth or donor	655	389
Changes in assets and liabilities:		
Receivables, net	(16,035)	23,195
Inventories	163	586
Other assets	(4,084)	(3,032)
Accounts payable	36,191	(13,873)
Deferred revenue	(572)	3,715
Student deposits	(1,095)	576
Compensated absences	4,444	4,061
Loans to students and employees	1,095	(1,013)
Other liabilities	66,630	46,020
Net cash used by operating activities	<u>\$ (323,224)</u>	<u>\$ (386,076)</u>
Noncash Transactions		
Equipment	\$ 7,970	\$ 3,500
Capital lease	\$ 6,379	\$ 557

See accompanying notes to financial statements.

**Pennsylvania State System of Higher Education
Component Units Statement of Financial Position**

(dollars in thousands)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash and cash equivalents	\$ 101,886	\$ 105,550
Accounts receivable	6,065	7,565
Contributions/pledges receivable	20,352	24,810
Due from Universities	40,585	41,535
Inventories	9,636	10,227
Short-term investments	75,712	26,299
Investments	227,596	203,332
Capital assets:		
Land	18,662	15,543
Buildings	747,543	555,807
Building improvements	13,867	8,396
Improvements other than buildings	7,519	6,601
Equipment and furnishings	53,727	46,265
Construction in progress	40,265	167,352
	<u>881,583</u>	<u>799,964</u>
Less accumulated depreciation	(103,021)	(79,087)
Capital assets, net	<u>778,562</u>	<u>720,877</u>
Other assets	79,484	89,552
Total Assets	<u><u>\$ 1,339,878</u></u>	<u><u>\$ 1,229,747</u></u>
Liabilities		
Accounts payable and accrued expenses	\$ 25,605	\$ 30,673
Annuity liabilities	8,334	8,190
Due to Universities	27,296	22,193
Deposits payable	11,231	9,531
Capitalized leases	18,784	20,159
Bonds payable	676,627	683,113
Notes payable	254,476	163,467
Other liabilities	77,280	57,074
Total Liabilities	<u>1,099,633</u>	<u>994,400</u>
Net Assets		
Unrestricted	17,859	31,406
Temporarily restricted	60,930	58,890
Permanently restricted	161,456	145,051
Total Net Assets	<u>240,245</u>	<u>235,347</u>
Total Liabilities and Net Assets	<u><u>\$ 1,339,878</u></u>	<u><u>\$ 1,229,747</u></u>

See accompanying notes to financial statements.

**Pennsylvania State System of Higher Education
Component Units Statement of Activities
For the Years Ended June 30, 2010 and 2009**

(dollars in thousands)

	2010	2009
Revenues and Gains		
Contributions	\$ 39,644	\$ 39,767
Sales and services	52,809	53,866
Student fees	27,946	24,217
Grants and contracts	13,507	9,395
Rental income	89,871	63,819
Investment income (loss)	12,184	(1,577)
Unrealized gain (loss) on investments	554	(44,795)
Other revenues and gains	3,009	963
Total Revenues and Gains	239,524	145,655
Expenses and Losses		
Program services:		
Scholarships and grants	10,828	12,467
Student activities and programs	25,365	22,900
University stores	36,626	36,836
Housing	91,927	62,032
Other University support	17,541	15,881
Other programs	19,239	20,750
Management and general	25,111	25,020
Fundraising	7,989	8,277
Total Expenses and Losses	234,626	204,163
Change in Net Assets	4,898	(58,508)
Net assets—beginning of year	235,347	293,855
Net assets—end of year	<u>\$ 240,245</u>	<u>\$ 235,347</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2010 and 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pennsylvania State System of Higher Education (PASSHE) is a body corporate and politic, created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). PASSHE is a component unit of the Commonwealth of Pennsylvania (Commonwealth) and is governed by a Board of Governors (Board), as provided for in Act 188. PASSHE comprises the 14 Universities of the Pennsylvania State System of Higher Education and the Office of the Chancellor.

Reporting Entity

PASSHE functions as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

Certain affiliated organizations are included in PASSHE's financial statements as discretely presented component units. Some of the organizations, such as University student associations, are included because the Board has oversight responsibility for the organizations. The criteria used in determining the organizations for which PASSHE has oversight responsibility include financial interdependency, the ability to select members of the governing body, the ability to designate management, the ability to influence operations significantly, and accountability for fiscal matters. Other affiliated organizations for which the Board does not have oversight responsibility, such as University foundations and alumni associations, are included when the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of PASSHE, PASSHE historically has received a majority of these economic resources, and the activity of the organization is significant to PASSHE Universities. Neither PASSHE nor its Universities control the timing or amount of receipts from these organizations.

PASSHE does not consider any of its component units to be major, and has aggregated all component unit information

into a separate set of financial statements. Information on individual component units can be obtained by contacting the respective Universities.

Transactions between the Universities and the Office of the Chancellor have been eliminated in the accompanying financial statements.

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, as prescribed by GASB. 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. PASSHE applies the Financial Accounting Standards Board pronouncements issued before November 30, 1989, only, except for those that conflict with GASB pronouncements.

Operating Revenues

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

Net Assets

PASSHE maintains the following net asset classifications:

Invested in capital assets, net of related debt: 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 assets subject to externally imposed conditions requiring that they be maintained by PASSHE in perpetuity.

Restricted—expendable: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of PASSHE or by the passage of time.

Unrestricted: All other categories of net assets. Unrestricted net assets may be designated for specific purposes by the Board.

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

Cash Equivalents and Investments

PASSHE considers all demand and time deposits and money market funds as 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.

Accounts Receivable

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

Accounts 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 Universities' historical losses and periodic review of individual accounts.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined principally on the weighted average method.

Capital Assets

Land and buildings at the 14 University campuses acquired or constructed prior to its creation on July 1, 1983, are owned by the Commonwealth and made available to the Universities of PASSHE. Since PASSHE 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 Universities.

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 Universities 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. PASSHE provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the year ended June 30, 2010. In the year ending June 30, 2009, capitalized assets totaling \$40.9 million were recorded as a loss on disposal of assets as a result of the termination of the implementation of the Student Life Cycle Management module of the Shared Administrative System.

Compensated Absences

Employees' right to receive annual leave and sick leave payments upon termination or retirement for services already rendered is recorded as a liability.

Pension Plans

Employees of PASSHE enroll in one of three available retirement plans immediately upon employment. PASSHE recognizes annual pension expenditures equal to its contractually required contributions to the plan.

Student Fees

Student tuition and dining, residence, and other fees are presented net of scholarships or other discounts applied to student accounts. Certain other scholarship or discount amounts are paid directly to or refunded to the students and generally are reflected as expenses.

Income Taxes

PASSHE and its member Universities are 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.

New Accounting Standards

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Statement No. 51 establishes accounting and financial reporting requirements for intangible assets, specifically with regard to whether and when intangible assets should be considered capital assets for financial reporting purposes. Statement No. 51 is effective for the fiscal year ending June 30, 2010. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement No. 53 provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. Statement No. 53 is effective for the fiscal year ending June 30, 2010. In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type*

Definitions. Statement No. 54 establishes fund balance classifications for governmental funds. PASSHE is required to adopt Statement No. 54 for the fiscal year ending June 30, 2011. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 57 amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. PASSHE is required to adopt Statement No. 57 for the fiscal year ending June 30, 2012. In December 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing bankruptcy under Chapter 9 of the United States Bankruptcy Code. PASSHE is required to adopt Statement No. 58 for the fiscal year ending June 30, 2011. In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. Statement No. 59 updates existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. PASSHE is required to adopt Statement No. 59 for the fiscal year ending June 30, 2011. PASSHE has determined that Statements No. 51, 53, 54, 57, 58, and 59 have no effect on its balance sheet or statement of revenues, expenses, and changes in net assets.

(2) DEPOSITS AND INVESTMENTS

PASSHE invests its funds in accordance with the Board's Investment Policy, which authorizes PASSHE to invest in repurchase agreements, commercial paper, obligations of the United States Treasury, agencies and sponsored entities, certificates of deposit, municipal bonds, mortgage-backed securities, asset-backed securities, banker's acceptances, and corporate bonds. Restricted nonexpendable funds and amounts designated by the Board or University trustees may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, Universities use local financial institutions for activities such as cash deposits. In addition, Universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, PASSHE recognizes a fiduciary responsibility to invest all funds prudently in accordance with ethical and prevailing legal standards. In addition, PASSHE recognizes that the funds in its custody can be classified according to purpose, time frame for use, source, and other similar classifications. Differential investment guidelines and objectives are required to manage various funds classifications appropriately and optimally.

Regardless of funds classifications, certain general tenets apply. Investments in all classifications seek to minimize exogenous risks while maintaining or expanding purchasing power. Adequate liquidity is maintained so assets are held to maturity. In all classifications, 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 are made in U.S.-based corporations. Investment performance in all classifications is monitored

on a frequent and regular basis to ensure that objectives are attained and guidelines are followed. A portfolio duration target of 1.8 years is maintained with an upper limit of 2.2 years.

Safety of principal and liquidity are the top priorities for the investment of PASSHE'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. Collateralized mortgage obligations (CMOs) are sometimes based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in PASSHE's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates. PASSHE's operating funds are invested and reinvested in the following types of instruments with qualifications as provided.

Investment Categories	Limit (% of Market Value)	Single Issuer (Maximum)	Rating Limit (Moody's)
Government securities/repurchase agreements	Greater than 20%	5% repurchase	N/A
Commercial paper/certificates of deposit/banker's acceptances	Less than 30%	5% of each type	P-1
Municipal bonds	Less than 20%	5%	Aa or higher
Corporate bonds	Less than 20%	N/A	Aa or higher
Collateralized mortgage obligations (CMOs)	Less than 20%	N/A	Aaa
Asset-backed securities	Less than 20%	N/A	Aaa
System notes	Less than 20%	5%	N/A

On June 30, 2010 and 2009, the carrying amount of PASSHE's demand and time deposits and certificates of deposit for all funds was \$12,026,000 and \$13,008,000, respectively, compared to bank balances of \$14,340,000 and \$12,930,000, respectively. The difference is caused primarily by items in transit. Of the bank balances, \$3,154,000 and \$2,926,000, respectively, were covered by federal government depository insurance or collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$648,000 and \$749,000, respectively, were uninsured

and uncollateralized; and \$10,538,000 and \$9,255,000, respectively, were uninsured and uncollateralized, but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements 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. The carrying values (fair values) of deposits and investments for PASSHE's pooled funds in M&T Bank on June 30, 2010 and 2009, follow.

PASSHE Pooled Deposits and Investments

June 30, 2010

(In thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
Deposits			
Money market funds			\$2,075
Total deposits			<u>2,075</u>
Investments			
Repurchase agreements			19,299
Commercial paper	P1	0.07	252,832
U.S. government and agency obligations	Aaa	4.55	441,646
Asset-backed securities	Aaa	0.47	85,121
Collateralized mortgage obligations (CMOs)	Aaa	3.33	156,676
Corporate bonds and notes	Aaa	1.06	28,047
	Aa1	2.32	15,837
	Aa2	2.35	45,417
	Aa3	1.67	10,171
	A1	1.42	18,168
	A2	0.94	6,994
	A3	2.78	2,447
	Baa1	2.01	5,052
Total investments			<u>1,087,707</u>
Total deposits and investments			<u>\$1,089,782</u>

PASSHE Pooled Deposits and Investments
June 30, 2009
(In thousands)

	Moody's Rating <i>(if applicable)</i>	Modified Duration <i>(if applicable)</i>	Fair Value
Deposits			
Demand and time deposits			\$100
Money market funds			227
Total deposits			327
Investments			
Commercial paper	P1	0.02	96,435
U.S. government and agency obligations	Aaa	4.10	542,949
Asset-backed securities	Aaa	0.58	22,960
	Not rated	0.23	877
Collateralized mortgage obligations (CMOs)	Aaa	4.47	142,241
Corporate bonds and notes	Aaa	2.02	28,163
	Aa1	3.10	13,792
	Aa2	1.74	82,871
	Aa3	1.28	12,271
	A1	2.32	18,312
	A2	1.02	20,946
	A3	3.59	2,428
	Baa1	2.89	5,076
Total investments			989,321
Total deposits and Investments			\$989,648

Of the investments noted above at June 30, 2010 and 2009, \$38,645,000 and \$30,423,000, respectively, were held by a trustee to be used for projects funded under the Pennsylvania Higher Educational Facilities Authority/State System of Higher Education bond issues (note 9). Investments are made subject to the restrictions of the bond indenture and may be liquidated only for the

payment of costs associated with the projects described in the bond indenture.

The carrying values (fair values) of deposits and investments for local University deposits and investments on June 30, 2010 and 2009, follow.

University Local Deposits and Investments
June 30, 2010
(In thousands)

	Moody's Rating <i>(if applicable)</i>	Modified Duration <i>(if applicable)</i>	Fair Value
Deposits			
Demand and time deposits			\$9,928
Certificates of deposit			23
Total deposits			9,951
Investments			
U.S. government and agency obligations		1.31	537
Fixed income mutual funds		3.82	3,837
Equity/balanced mutual funds			20,750
Common stock			1,419
Total investments			26,543
Total deposits and investments			\$36,494

University Local Deposits and Investments
June 30, 2009
(In thousands)

	Moody's Rating <i>(if applicable)</i>	Modified Duration <i>(if applicable)</i>	Fair Value
Deposits			
Demand and time deposits			\$12,657
Certificates of deposit			24
Total deposits			12,681
Investments			
U.S. government and agency obligations		1.64	769
Fixed income mutual funds		3.98	3,564
Equity/balanced mutual funds			17,846
Common stock			1,745
Total investments			23,924
Total deposits and investments			\$36,605

Of the local investments noted above, the exposure to foreign currency risk is as follows (in thousands).

Investment	Currency	Fair Value	
		June 30, 2010	June 30, 2009
Deposit	British Pound	\$13	\$82
Deposit	Euro	4	24
Total		\$17	\$106

The Universities are beneficiaries of trust funds held by others with an approximate fair value of \$3,090,000 and \$3,328,000 on June 30, 2010 and 2009, respectively. Since the Universities have neither possession nor control of these trusts, the principal is not included in the accompanying balance sheet.

(3) LEASES

Total rent expense for PASSHE operating leases amounted to \$8,555,000 and \$9,796,000 for the years ended June 30, 2010 and 2009, respectively.

Capital assets on June 30, 2010 and 2009, included \$59,999,000 and \$55,125,000, respectively, acquired through leases that have been capitalized.

Future minimum payments, by year and in the aggregate, under capital and noncancelable operating leases, with initial or remaining terms of one year or more, are as follows .

(In thousands)

	Operating Leases	Capital Leases
2011	\$5,260	\$5,150
2012	2,789	4,925
2013	1,802	4,637
2014	1,308	4,545
2015	796	4,372
Thereafter	876	42,057
Total minimum lease payments	\$12,831	65,686
Amount representing interest on capital leases		18,182
Present value of net minimum capital lease payments		\$47,504

(4) PENSION BENEFITS

The Public School Employees' Retirement System (PSERS) and the Commonwealth of Pennsylvania State Employees'

Retirement System (SERS) are governmental cost-sharing multiple-employer defined benefits plans. The Alternative Retirement Plan (ARP) is a defined contribution plan administered by PASSHE.

PSERS provides retirement and disability benefits, legislative-mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. §§8101-8535) is the authority by which PSERS benefits provisions are established and may be amended. The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, the employer (PASSHE), and the Commonwealth of Pennsylvania. Active members contribute at a rate of between 5.25% and 7.50% of their qualifying compensation, depending upon when the active member was hired and what benefits class was selected. The contribution rate for PASSHE is an actuarially determined rate. The rate was 2.39% of annual covered payroll at June 30, 2010. PASSHE's contributions to PSERS for the years ended June 30, 2010, 2009, and 2008, were \$948,000, \$852,000, and \$1,153,000, respectively, equal to the required contractual contribution. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

SERS provides retirement, death, and disability benefits, and legislative-mandated ad hoc cost-of-living adjustments. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefits provisions of the plan to the General Assembly. The contribution policy for SERS, as established by the State Employees' Retirement Code, requires contributions by active members and the employer (PASSHE). The contribution rate for both active members and PASSHE depends upon when the active member was hired and what benefits class is selected. Active members contribute at a rate of either 5.0% or 6.25% of their qualifying compensation. PASSHE contributed at an actuarially determined rate of either 2.52% or 3.15% of an active member's annual covered payroll at June 30, 2010. PASSHE's contributions to SERS for the years ended June 30, 2010, 2009, and 2008, were \$10,182,000, \$9,770,000, and \$9,508,000, respectively, equal to the

required contractual contribution. 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 by writing to Commonwealth of Pennsylvania, State Employees' Retirement System, P.O. Box 1147, Harrisburg, PA 17108.

Because the ARP is a defined contribution plan, benefits depend upon 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. PASSHE's contribution rate on June 30, 2010 and 2009, was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2010 and 2009, were \$41,295,000 and \$39,634,000, respectively, from PASSHE, and \$21,923,000 and \$21,899,000, respectively, from active members.

(5) POSTRETIREMENT BENEFITS

PASSHE employees who retire after meeting specified service and age requirements become eligible for participation in one of two defined health care benefits plans, referred to here as the *System Plan* and the *Retired Employees Health Program*. These plans include hospital, medical/surgical, and major medical coverage, and provide a Medicare supplement for individuals over age 65.

System Plan

Plan Description

Employee members of the Association of Pennsylvania State College and University Faculties, the State College and University Professional Association, Security Police and Fire Professionals of America, Pennsylvania Nurses Association, and nonrepresented employees participate in a single-employer defined benefits health care plan administered by PASSHE (System Plan). The System Plan provides eligible retirees and their eligible dependents with health care benefits, as well as tuition waivers at any of PASSHE's Universities. Act 188 empowers the Board to establish and amend benefits provisions. The System Plan is unfunded, and no financial report is prepared.

Funding Policy

The contribution requirements of plan members and PASSHE are established and may be amended by the

Board. The System Plan is funded on a pay-as-you-go basis, i.e., premiums are paid to an insurance company and various health maintenance organizations to fund the health care benefits provided to current retirees. Tuition waivers are provided by the retiree's sponsoring University as they are granted. PASSHE paid premiums of \$31,830,000 and \$43,847,000 for the fiscal years ending June 30, 2010 and 2009, respectively. Plan members receiving benefits who retired prior to July 1, 2005, are not required to make contributions. Plan members receiving benefits who retire after July 1, 2005, 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, the contribution rate for active employees, and applicable collective bargaining agreements. As of June 30, 2010, the maximum rate being contributed by plan members was 10% of the premium currently paid by active employees. Total contributions made by plan members were \$2,080,000 and \$1,951,000, or approximately 6.1% and 4.3% of the total premiums, for the fiscal years ending June 30, 2010 and 2009, respectively.

Annual OPEB Cost and Net OPEB Obligation

PASSHE's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of PASSHE's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in PASSHE's net OPEB obligation.

<i>(In thousands)</i>	
Annual required contribution	\$92,989
Interest on net OPEB obligation	31,475
Adjustment to annual required contribution	(32,693)
Annual OPEB cost (expense)	91,771
Contributions made	(31,830)
Increase in net OPEB obligation	59,941
Net OPEB obligation at July 1, 2009	662,633
Net OPEB obligation at June 30, 2010	<u>\$722,574</u>

PASSHE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2010, and the two preceding years were as follows (in thousands).

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$91,771	34.7%	\$722,574
June 30, 2009	\$85,450	51.3%	\$662,633
June 30, 2008	\$83,228	28.0%	\$621,030

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the most recent actuarial valuation date, was as follows:

<i>(In thousands)</i>	
Actuarial accrued liability (AAL)	\$1,127,437
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,127,437</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$525,684
UAAL as a percentage of covered payroll	214%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of

assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.75% investment rate of return, which is the expected rate to be earned on PASSHE's operating portfolio, and an annual health care cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 4.8% by 2020. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2009, was 26 years.

Retired Employees Health Program

Plan Description

Employee members of the American Federation of State, County and Municipal Employees; Pennsylvania Doctors Alliance; and Pennsylvania Social Services Union participate in the Retired Employees Health Program (REHP), which is sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). The REHP provides eligible retirees and their eligible dependents with health care benefits. Benefits 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.

Funding Policy

The contribution requirements of plan members covered under collective bargaining agreements are established by the collective bargaining agreements. The contribution requirements of nonrepresented plan members and contributing entities are established and may be amended by the Commonwealth's Office of Administration and the Governor's Budget Office. Plan members who enrolled prior to July 1, 2004, are not required to make contributions. Plan members who enrolled after July 1, 2004, contribute a percentage of their final salary, the rate of which varies based on the plan member's enrollment date. Agency member (employer) contributions are established primarily on a pay-as-you-go basis. In 2009/10, PASSHE contributed \$248.68 for each current active employee per biweekly pay period. PASSHE made contributions of \$25,318,000, \$26,131,000, and \$24,858,000 for the fiscal years ending June 30, 2010, 2009, and 2008, respectively, which equaled the required contributions for the year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information

about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(6) WORKERS' COMPENSATION

PASSHE is self-insured for workers' compensation losses. For claims occurring prior to July 1, 1995, PASSHE Universities are responsible for claims less than \$100,000; for claims occurring on or after July 1, 1995, PASSHE Universities are 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 all PASSHE Universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the Universities contributed \$1,621,000 and \$784,000 to the Reserve Fund during the years ended June 30, 2010 and 2009, respectively.

For the years ended June 30, 2010 and 2009, the aggregate liability for claims under the self-insurance limit was \$9,270,000 and \$9,545,000, respectively. The Reserve Fund assets of \$7,214,000 and \$6,279,000 are equal to the liability for claims in excess of the self-insurance limits for the years ended June 30, 2010 and 2009, respectively. Changes in the workers' compensation claims liability amount in fiscal years 2010 and 2009 follow.

(In thousands)

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2009	\$14,429	\$5,810	\$4,415	\$15,824
2010	\$15,824	\$6,048	\$5,388	\$16,484

(7) COMPENSATED ABSENCES

Compensated absences activity is as follows.

(In thousands)

Year	Beginning Balance	Current Changes In Estimates	Less Payouts	Ending Balance
2009	\$95,537	\$10,231	\$6,170	\$99,598
2010	\$99,598	\$11,733	\$7,289	\$104,042

(8) TERMINATION BENEFITS

In March 2010, the Board approved a Voluntary Retirement Incentive Program for both union and nonrepresented employees meeting certain age and service requirements. Eligible employees who by May 28, 2010, indicated their intent to retire between June 18, 2010, and August 27, 2010, qualify for a cash incentive payout of between \$6,000 and \$30,000, depending on base salary and years of service. As of June 30, 2010, 209 eligible PASSHE employees accepted the offer by signing a release and settlement agreement releasing PASSHE from all legal claims related to their employment and retirement. For the year ended June 30, 2010, PASSHE recorded an expense of \$3,346,000 for the cash incentive and \$256,000 for associated Social Security and Medicare taxes, for a total expense of \$3,602,000. The cash incentive is not eligible for retirement benefits. The Association of Pennsylvania State College and University Faculties declined to participate in this program.

In March 2010, the Board approved a Severance for Abolished Positions Program for both union and nonrepresented active, full-time, permanent employees whose positions are abolished (or subject to furlough or seniority bump) on or before September 30, 2010. Eligible employees who sign a release and settlement agreement relinquishing seniority bump, recall, and placement rights receive a severance package of a lump sum cash payout of two, four, or six months of base salary and two, four, or six months of COBRA premiums, depending on years of service. As of June 30, 2010, seven PASSHE employees were notified that their positions were abolished and were offered the severance package. For the year ended June 30, 2010, PASSHE recorded an expense of \$110,000 for the lump sum cash payouts and \$9,000 for associated Social Security and Medicare taxes, for a total expense of \$119,000. The severance payment is not eligible for retirement benefits. Positions abolished under this program may not be backfilled for 24 months and exclude those fully funded by restricted sources (e.g., grants). The Association of Pennsylvania State College and University Faculties and the State College and University Professional Association declined to participate in this program.

(9) BONDS PAYABLE

Bonds payable on June 30, 2010 and 2009, consisted of several outstanding tax-exempt revenue bond series issued by the Pennsylvania Higher Educational Facilities

Authority (PHEFA). In connection with the bond issuance, PASSHE entered into a loan agreement with PHEFA under which PASSHE has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of PASSHE. The bonds were

issued to provide funds to undertake various capital projects at the Universities or to advance refund certain previously issued bonds. Activity for the various bond series for the years ended June 30, 2010 and 2009, was as follows.

Bonds Payable
June 30, 2010 and 2009
(In thousands)

Description	Original Issuance	Weighted Average Interest Rate	Balance June 30, 2008	2009 Bonds Issued	2009 Bonds Redeemed/Refunded	Balance June 30, 2009	2010 Bonds Issued	2010 Bonds Redeemed/Refunded	Balance June 30, 2010
Series R issued in June 1999, final maturity June 2024	\$31,050	4.90%	\$19,435	-	\$840	\$18,595	-	\$18,595	-
Series S issued in June 2000, final maturity June 2020	51,720	5.49%	31,475	-	2,880	28,595	-	28,595	-
Series T issued in July 2001, final maturity June 2021	69,555	4.87%	39,235	-	2,665	36,570	-	2,785	\$33,785
Series U issued in August 2002, final maturity June 2022	14,400	4.38%	10,115	-	660	9,455	-	675	8,780
Series V issued in August 2002, final maturity June 2022	25,200	N/A	7,990	-	7,990	-	-	-	-
Series W issued in October 2002, final maturity June 2020	69,105	4.74%	63,965	-	1,210	62,755	-	960	61,795
Series X issued in May 2003, final maturity June 2023	80,910	4.37%	50,240	-	6,970	43,270	-	6,950	36,320
Series Y issued in June 2003, final maturity June 2023	25,350	N/A	9,485	-	9,485	-	-	-	-
Series Z issued in March 2004, final maturity June 2024	71,760	3.96%	56,745	-	4,550	52,195	-	4,460	47,735
Series AA issued in July 2004, final maturity June 2024	28,750	4.58%	23,520	-	1,435	22,085	-	1,490	20,595
Series AB issued in July 2004, final maturity June 2024	20,970	N/A	9,230	-	9,230	-	-	-	-
Series AC issued in July 2005, final maturity June 2025	52,650	4.91%	46,260	-	2,300	43,960	-	2,415	41,545
Series AD issued in July 2005, final maturity June 2025	7,310	N/A	6,325	-	6,325	-	-	-	-
Series AE issued in July 2006, final maturity June 2036	103,290	4.99%	97,255	-	3,150	94,105	-	3,310	90,795
Series AF issued in July 2007, final maturity June 2037	68,230	4.93%	66,425	-	1,785	64,640	-	1,860	62,780
Series AG issued in March 2008, final maturity June 2024	101,335	4.53%	99,170	-	4,095	95,075	-	4,245	90,830
Series AH issued in July 2008, final maturity June 2038	140,760	4.69%	-	\$140,760	2,980	137,780	-	3,420	134,360
Series AI issued in August 2008, final maturity June 2025	32,115	3.98%	-	32,115	1,515	30,600	-	1,820	28,780
Series AJ issued in July 2009, final maturity June 2039	123,985	4.85%	-	-	-	-	\$123,985	2,825	121,160
Series AK issued in September 2009, final maturity June 2024	47,310	3.68%	-	-	-	-	47,310	1,220	46,090
Total	\$1,165,755		\$636,870	\$172,875	\$70,065	\$739,680	\$171,295	\$85,625	\$825,350

Principal and interest requirements to maturity are as follows.

(In thousands)

	Principal	Interest	Total
2011	\$39,975	\$38,185	\$78,160
2012	36,950	36,529	73,479
2013	38,470	34,949	73,419
2014	44,735	33,277	78,012
2015	50,995	31,320	82,315
2016-2020	275,780	119,667	395,447
2021-2025	210,645	58,279	268,924
2026-2030	76,435	21,927	98,362
2031-2035	40,695	7,966	48,661
2036-2039	10,670	876	11,546
Total	\$825,350	\$382,975	\$1,208,325

(10) DEBT REFUNDINGS

In September 2009, the net proceeds from the Series AK revenue bonds were used to refund Series R and advance refund the Series S revenue bonds. This refunding was completed to reduce debt service by approximately \$5,012,000 and resulted in an economic gain (difference

between the present values of the old and new debt service payments) of approximately \$4,762,000.

(11) CAPITAL ASSETS

The classifications of capital assets and related depreciation at June 30, 2010 and 2009, follow.

(In thousands)

	Balance June 30, 2008	2009 Additions	2009 Retirements/ Adjustments	Balance June 30, 2009	2010 Additions	2010 Retirements/ Adjustments	Balance June 30, 2010
Land	\$21,209	\$1,598	-	\$22,807	\$946	\$1,017	\$24,770
Construction in progress	202,879	122,049	(\$197,912)	127,016	139,852	(106,987)	159,881
Total capital assets not being depreciated	224,088	123,647	(197,912)	149,823	140,798	(105,970)	184,651
Buildings, including improvements	1,231,193	66,905	118,742	1,416,840	59,323	77,008	1,553,171
Improvements other than buildings	168,431	10,215	14,428	193,074	8,957	9,214	211,245
Equipment and furnishings	322,417	27,243	(2,174)	347,486	23,582	(4,618)	366,450
Library books	82,654	2,763	(1,888)	83,529	2,177	(1,858)	83,848
Total capital assets being depreciated	1,804,695	107,126	129,108	2,040,929	94,039	79,746	2,214,714
Less accumulated depreciation							
Buildings and improvements	(407,014)	(55,862)	9,437	(453,439)	(61,924)	13,311	(502,052)
Land improvements	(70,228)	(10,312)	(1,855)	(82,395)	(9,150)	5,210	(86,335)
Equipment and furnishings	(219,034)	(31,023)	8,410	(241,647)	(31,975)	(1,912)	(275,534)
Library books	(68,804)	(2,869)	1,868	(69,805)	(2,684)	1,845	(70,644)
Total accumulated depreciation	(765,080)	(100,066)	17,860	(847,286)	(105,733)	18,454	(934,565)
Total capital assets being depreciated, net	1,039,615	7,060	146,968	1,193,643	(11,694)	98,200	1,280,149
Capital assets, net	\$1,263,703	\$130,707	(\$50,944)	\$1,343,466	\$129,104	(\$7,770)	\$1,464,800

(12) CONTINGENCIES

The nature of the educational industry is such that, from time to time, PASSHE 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. PASSHE is self-insured for workers' compensation up to stated limits (note 6). For all other risks of loss, PASSHE pays annual premiums to the Commonwealth to participate in its Risk Management Program. PASSHE 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.

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

(13) SUBSEQUENT EVENTS

In July 2010, PHEFA issued Series AL tax-exempt revenue bonds in the amount of \$135,410,000. The net proceeds were used to finance various capital projects at the Universities and advance refund the Series T revenue bonds. The refunding reduced debt service by approximately \$2,630,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,546,000. In connection with the bond issuance, PASSHE entered into a loan agreement with PHEFA under which PASSHE pledged its full faith and credit for repayment of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Years ended June 30, 2010 and 2009
(Unaudited)

Schedule of Funding Progress for the System Plan (OPEB)

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$0	\$1,026,393	\$1,026,393	0%	\$472,477	217%
July 1, 2008	\$0	\$1,049,267	\$1,049,267	0%	\$510,373	206%
July 1, 2009	\$0	\$1,127,437	\$1,127,437	0%	\$525,684	214%

Schedule of Funding Progress for the REHP (OPEB)

(in thousands)

The information below relates to the Commonwealth's REHP as a whole, i.e., it is inclusive of all participating Commonwealth agencies and instrumentalities. Nearly all Commonwealth agencies and instrumentalities participate in the REHP.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$38,500	\$7,297,500	\$7,259,000	.52%	\$3,559,000	203%
July 1, 2008	\$60,000	\$12,863,270	\$12,803,270	.47%	\$3,559,000	360%
July 1, 2009	\$47,920	\$13,257,570	\$13,209,650	.36%	\$4,093,000	323%

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>		
Student Financial Assistance Cluster:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 4,090,093
Federal Supplemental Education Opportunity Grant - Administrative Allowance	84.007	78,301
Federal Family Education Loan Program - Sub and Unsub Loans	84.032	541,218,640
Federal Family Education Loan Program - PLUS Loans	84.032	71,412,814
Federal Work Study Program	84.033	5,745,212
Federal Work Study Program - Administrative Allowance	84.033	177,339
Federal Perkins Loans Outstanding	84.038	42,910,958
Federal Perkins Loan Program - Administrative Allowance	84.038	304,820
Federal Pell Grant Program	84.063	128,444,596
Federal Pell Grant - Administrative Allowance	84.063	101,394
Federal Direct Loan Program	84.268	13,943,786
Academic Competitiveness Grant	84.375	6,084,040
National Science and Mathematics Access to Retain Talent Grant	84.376	1,835,036
Teacher Education Assistance for College and Higher Education Grants	84.379	502,750
Federal Nursing Loans Outstanding	93.364	<u>261,284</u>
Total student financial assistance cluster		817,111,063
<u>Other</u>		
Pass-Through PA Department of Education:		
State Fiscal Stabilization Fund (SFSF) - Education Grants - ARRA - 2008-09	84.394	27,068,000
State Fiscal Stabilization Fund (SFSF) - Education Grants - ARRA - 2009-10	84.394	<u>38,158,000</u>
Total State Fiscal Stabilization Fund (SFSF) - Education Grants		65,226,000
Total research and development cluster		3,706,433
Total other federal awards		<u>32,376,964</u>
Total expenditures of federal awards		<u>\$ 918,420,460</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Research And Development Cluster

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Accessing Microbial Activity in Honey Bees	58-5342-9-336	10.001	West Chester	\$ 39,991
Recovery of Pathogens from Retail Catfish	59-1935-9-967	10.001	Cheyney	<u>105,672</u>
Total Agricultural Research - Basic and Applied Research				<u>145,663</u>
Agricultural Research & Educational Center	3888819804	10.200	Cheyney	149,293
Pass-Through National Park Service, Forecasting Land Use Change in the Upper Delaware River Watershed	6532100308	10.200B	Shippensburg	<u>9,270</u>
Total Grants for Agricultural Research, Special Research Grants				<u>158,563</u>
Pass-Through Earlham College, Uptake Specificity of Synthetic Phytosiderophore Analogues by Gramineous Plants	NRI-000141	10.206	Bloomsburg	15,036
Pass-Through Illuminex, Nanowire Assay Probe SBIR	DE-FG0205ER84282	10.212	Millersville	16,983
Pass-Through IUP Research Institute, Improvement and Marketing of the Food & Agricultural Education Information System	320692-19841	10.500	Indiana	800
Pass-Through PA Department of Health: Development and Evaluation of GGS PA WIC	IUP-C-0506-631	10.557	Indiana	4,786
QWIC LEARN: Moving Learning forward PA	IUP-C-0607-652	10.578	Indiana	55,195
Invasive Plants Demonstration/Monitoring Area	09-DG-11420004-028	10.680	West Chester	<u>6,371</u>
Total U.S. Department of Agriculture				<u>403,397</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Virginia Polytechnic Institute and State University, Developing a Decision Support System for the Delmarva Peninsula	6532100408	11.417	Shippensburg	20,482
Pass-Through Ohio State University, Sea Grant Support	NA06OAR4170020	11.417	Kutztown	<u>5,625</u>
Total U.S. Department of Commerce				<u>26,107</u>
<u>U.S. Department of the Interior</u>				
Pass-Through National Park Service: Louisiana Waterbrush Monitoring Protocol for USDA	H4506080729	15.000	East Stroudsburg	35,109
Mammal Inventory of the Upper Delaware River	H4560040069	15.000	East Stroudsburg	10,022
White-Nose Syndrome in Bats of the Upper Delaware River	H4560040069-TA002	15.000	East Stroudsburg	2,500
White-Nose Syndrome in Bats of the Upper Delaware River	H4560040069-TA003	15.000	East Stroudsburg	1,252
Auditory Bat Transect Surveys of the Upper Delaware River	DEWA-201-Sci-0010	15.000	East Stroudsburg	<u>523</u>
Total National Park Service				<u>49,406</u>
Pass-Through University of Kentucky: Estimating a Colonizing Black Bear Population in Eastern Kentucky	UKRF3046985800-06-252	15.634	Indiana	(10,000)
Pass-Through IUP Research Institute: Estimating Fisher Population, Size, and Distribution in Pennsylvania	IUP-C-0506-096	15.634	Indiana	3,126
Identifying and Predicting High Quality Habitat in Relation to Allegheny Woodrat Demographic Trends	IUP-C-0506-082	15.634	Indiana	2,407
Estimating Fish Population, Size and Distribution in PA	IUP-C-0506-090	15.634	Indiana	<u>(1,091)</u>
Total State Wildlife Grants				<u>(5,558)</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Research And Development Cluster

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through PA Department of Environmental Protection, Cultural Resource Management	S07AP12482	15.255	Indiana	<u>44,882</u>
Pass-Through IUP Research Institute, Cooperative Cerulean Warbler Forest Management Program	IUP-C-0708-025	15.608	Indiana	<u>10,287</u>
Pass-Through IUP Research Institute, Fine Grain Sediment Southern California	08WRAG0018	15.808	Indiana	14,699
Pass-Through Department of Conservation and Natural Resources, Mapping Quadrangles in PA	08HQAG0088	15.808	Bloomsburg	<u>21,979</u>
Total U.S. Geological Survey - Research and Data Collection				<u>36,678</u>
Pass-Through IUP Research Institute, TAG-Lemon House Geothermal Field Archeological Investigation Phase 2	H456004009	15.904	Indiana	<u>564</u>
Total U.S. Department of the Interior				<u>136,259</u>
<u>National Aeronautics and Space Administration</u>				
Remote Sensing of Fractal Planetary Surfaces 2008/09	NNX08AL81G	43.001	Bloomsburg	43,797
X-Raying the Giant Hill Region G305	NNX08AO69G	43.001	West Chester	29,869
X-Raying the Giant Hill Region G305	GO8-9014X	43.001	West Chester	4,685
Pass-Through The Woods Hole Research Center, Urban Growth Impacts on Surface Hydrology in Med-Atlantic and New England Watersheds Year 3	653210009	43.001	Shippensburg	<u>26,862</u>
Total National Aeronautics and Space Administration				<u>105,213</u>
<u>National Science Foundation</u>				
Analysis of Asteroids	AST-0605903	47.049	Bloomsburg	<u>33,216</u>
Preservation and Long-Term Bacterial Survival in Quaternary Age Salt from Death Valley, Chile and Bolivia	EAR-0433789	47.050	West Chester	311
Biomaterials in Ancient Salt Formations: Examination of Primary Crystals for Biological Materials	EAR-0819812	47.050	West Chester	43,700
Collaborative Research, Information Technology Research Linked Environment for Atmospheric Discovery	ATM-0331574	47.050	Millersville	11,259
Pass - Through Joint Oceanographic Institutions: Integrated Ocean Drilling Program	JSA-62.410	47.050	Indiana	5,835
Reactivation Continental margin Fracture	EAR-07389534	47.050	Indiana	12,602
Pass-Through IUP Research Institute: U.S. Science Support Program - Eolian Records of Trade Wind Strength and Latitudinal Position of the ITCZ in the Tropical Pacific	JSA-66.410T321A66	47.050	Indiana	21,760
The Role and Response of the Tropical Pacific Thermocline in Pli-Pleistocene Climate Trends and Obliquity Cycles	IUP-C-0506-056	47.050	Indiana	<u>13,702</u>
Total Geosciences				<u>109,169</u>
Applying Virtual Worlds to Ethics Education in Science	IIS-0932712	47.070	West Chester	21,362
SGER: TF: SING - A New Method for Resource Management in Wireless Sensor Networks	CCF - 0840891	47.070	West Chester	<u>32,621</u>
Total Computer and Information Science and Engineering				<u>53,983</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Research And Development Cluster

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass Through Southern Illinois University:				
ATOL: Collaboration Research - Assembling the Liverwort Tree of Life: A Window into the Evolution and Diversification of Early Land Plants	EF-0531750	47.074	West Chester	\$ 4,476
Female Reproductive Success In Cephalopods	IBN-0414546	47.074	Millersville	7,963
RUI: Comparative Experimental Hydrodynamics of Cetacean Flippers: Ecomorphology of an Aquatic Control Surface Pass-Through Swarthmore College,	IOS-0640185	47.074	West Chester	61,444
RUI: Development Biology of Turtle Shell Formation	IOS-0748508	47.074	Millersville	31,070
REU Site at the Millersville University Center for Environmental Sciences: Watersheds, from River to Estuary	DBI-0649122	47.074	Millersville	65,732
Collaborative Research Dynamic Coupling of the Water Cycle and Patterns of Urban Growth	6532100208	47.074	Shippensburg	<u>45,290</u>
Total Biological Sciences				<u>215,975</u>
NSF - Defining True Paranasal Sinuses	7032001004	47.075	Slippery Rock	<u>2,999</u>
Pass-Through LaSalle University:				
Assessment of WCU Math Teachers and WCU Science Teachers in the Math Science Partnership of Greater Philadelphia Mathematics and Science Partnership (MSP)	EHR-0314806	47.076	West Chester	3,562
	EHR-0314806	47.076	West Chester	19,700
Improving the Recruitment, Retention and Continuation of Students in Mathematics and Physical Sciences	DUE-0727177	47.076	Bloomsburg	8,472
OP-TEC Annual Steering Committee	603275	47.076	Indiana	14,446
An Integrative Project-Based Biochemistry Laboratory Curriculum at West Chester University of PA	DUE-0737266	47.076	West Chester	37,880
Pass-Through IUP Research Institute:				
Mental Model Teach Chem	DUE-0736836	47.076	Indiana	81,660
Collaborative Adaptive Sensing of the Atmosphere	EEC-0313747	47.076	Indiana	5,111
Geophysical Imaging	6532102610	47.076	Shippensburg	116,620
ChemPRIME: Illustrating Chemistry Concepts with Multiple Contexts	DUE-0837607	47.076	Kutztown	<u>43,705</u>
Total Education and Human Resources				<u>331,156</u>
Analysis of X/M/E Asteroids - ARRA	AST-0908098	47.082	Bloomsburg	1,987
Trans-NSF Recovery Act Research Support - ARRA	7032001005	47.082	Slippery Rock	<u>44,306</u>
Total Trans-NSF Recovery Act Research Support				<u>46,293</u>
Total National Science Foundation				<u>792,791</u>
<u>U.S. Department of Education</u>				
Pass-Through University of Delaware:				
Multimodal Access to Information Graphics	H133G080047	84.133	Millersville	11,122
U.S. Department of Education - IMAPS	P116Z080270	84.116	Indiana	64,852
Math and Science Curriculum Development and Professional Development for Teachers	U215K090217	84.215	East Stroudsburg	<u>80,762</u>
Total Department of Education				<u>156,736</u>
<u>U.S. Department of Health and Human Services</u>				
Creatine Supplementation In Older Men and Women	1 R15 AT003938-01	93.213	Bloomsburg	11,684
Application of Action Research to Develop an After-School Prevention Intervention Cocaine Induced Planarian Behavior and Its Modulation by Sesquiterpene Lactones - ARRA	1K23MH082257-01A1	93.281	West Chester	145,992
Neural Mechanisms Underlying Individual Differences in 3,4 - Methylendioxyamph	1R03DA026518-01	93.701	West Chester	52,608
Pass-Through National Institute of Health;				
Drug Use Among Migrant Mexican Farm Workers	1 R01 DA019690-01A2	93.279	Indiana	141,541
Whole Family Biopsychology as a Market for Adjustment	1R15HD061796-01A1	93.865	West Chester	<u>40,611</u>
Total U.S. Department of Health and Human Services				<u>408,083</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Research And Development Cluster

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Defense Department of the Navy</u>				
Oceanography Command Operations	N0014-06-1-046	12.300	Millersville	10,168
Applications of Synthetic Aperture Radar to Meteorology Oceanography Command Operations	N00014-10-1-0569	12.300	Millersville	2,112
Pass-Through University of Virginia: Towards a Mission Configurable Stealth Underwater Batoid	08PR06821-00	12.300	West Chester	<u>142,692</u>
Total U.S. Department of Defense Department of the Navy				<u>154,972</u>
<u>U.S. Department of Transportation</u>				
Pass-Through Public Transportation Research:				
CUP Sky Shuttle System (MAGLEV)	PA-15-X001	20.514	California	25,822
California University of Pennsylvania Sky Shuttle Project	PA-17-X001	20.514	California	507,849
Low Speed Urban MALGEV Program	PA-12-X001	20.514	California	<u>311,004</u>
Total U.S. Department of Transportation				<u>844,675</u>
<u>U.S. Department of Defense</u>				
DOD IASP Computer Science	H982320-07-1-0211	12.902	East Stroudsburg	20,132
DOD IASP Computer Science	H98230-080-01-0207	12.902	East Stroudsburg	11,173
DOD IASP Computer Science	H98230-9-1-0387	12.902	East Stroudsburg	<u>70,029</u>
Total Information Security Grant Program				<u>101,334</u>
Pass-Through Penn State University, Ocular Trauma Microsurgery Simulator	W81WH-10-2-0019	12.420	Millersville	226
Pass-Through IUP Research Institute, Rapid Forensic Evaluation of Microbes in Biodefense Research Program	W911NF-09-1-0066	12.431	Indiana	142,414
Construction of Paley Partial Difference Sets and Hadamard Different Sets	H98230-10-0216	12.901	Bloomsburg	<u>9,689</u>
Total U.S. Department of Defense				<u>253,663</u>
<u>U.S. Department of Justice</u>				
Small Device Forensics	2009CKWX0594	16.710	Bloomsburg	113,960
Pass-Through IUP Research Institute, Corrections Education Clearing House CRM	2009-DI-BX-02007	16.753	Indiana	28,056
ARRA - Edward Bryne Memorial Competitive Grant Program Supporting State and Local Law Enforcement in Cybercrime Investigations & Computer Forensics	2009-SC-B9-022	16.808	Kutztown	52,159
	2008-DD-BX-K013	16.560	East Stroudsburg	<u>211,781</u>
Total U.S. Department of Justice				<u>405,956</u>
<u>U.S. Department of Energy</u>				
Pass-Through Tulane University, Hurricane Erosion of East Coast Salt Marshes During the Past 2500 Years: Frequency, Scale, Recovery, and Geoecological Impacts	DE-FC02-06ER64298	81.049	West Chester	<u>17,712</u>
<u>Appalachian Regional Commission</u>				
Pass-Through East Tennessee State University, Appalachian Teach Project	C0-12600-F-C4	23.011	Indiana	<u>869</u>
Total Research and Development Cluster				<u>\$ 3,706,433</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Other Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
USDA VHS Fish Study	10-9642-1062CA	10.025	Mansfield	\$ 14,797
Head Start Child Care Food 2009	6533100310	10.558	Shippensburg	27,785
Head Start Child Care Food 2008	6533100308	10.558	Shippensburg	2,265
Head Start Child Care Food 2007	6533100307	10.558	Shippensburg	1,136
Total Child and Adult Care Food Program				<u>31,186</u>
Pass-Through PA Dept of Education:				
Upward Bound Summer Food Program	AUN: 300191200	10.559	Bloomsburg	11,512
Act 101 Summer Food Program	AUN: 300191175	10.559	Bloomsburg	18,977
Summer Food Service Program	4-01-63-095-0	10.559	California	7,100
Upward Bound Summer Food Program	4-06-16-140-0	10.559	Clarion	17,374
Total Summer Food Service Program for Children				<u>54,963</u>
Pass-Through U.S. Forest Service, Forest Service Grants	N/A	10.652	Clarion	<u>20,833</u>
Total U.S. Department of Agriculture				<u>121,779</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Standards and Technology:				
NIST Summer Undergraduate Research Fellowship Program 2009	700NANB9H9070	11.609	Millersville	1,410
NIST Summer Undergraduate Research Fellowship Program 2010	70NANB10H070	11.609	Millersville	5,202
Total U.S. Department of Commerce				<u>6,612</u>
<u>U.S. Department of Defense</u>				
Procurement Technical Assistance for Business Firms	SP4800-03-2-0325-08	12.002	California	46,133
Procurement Technical Assistance for Business Firms	SP4800-08-2-0834	12.002	California	149,229
Government Contracting Assistance Program 2008-09	SP4800-08-2-0835	12.002	Indiana	85,236
Government Contracting Assistance Program 2009-10	SP4800-08-2-0835	12.002	Indiana	113,144
Government Contracting Assistance Program 2007-08	SP4800-03-2-0318	12.002	Indiana	(830)
Pass-Through University of Pennsylvania PASBDC:				
Procurement Technical Assistance Program (DLA) '07	SP4800-08-2-0836	12.002	Kutztown	53,969
Procurement Technical Assistance Program (DLA) '08	SP4800-08-2-0836	12.002	Kutztown	23,018
Total Procurement Technical Assistance for Business Firms				<u>469,899</u>
Pass-Through IUP Research Institute,				
National Environmental Training and Education Center for Excellence 07/08	IUP-C-0607-058	12.114	Indiana	(1,077)
National Guard Bureau - Weapons of Mass Destruction REALITI 0810 Sustainment Training Program	600733	12.352	Indiana	334,370
Joint Safety Training Curriculum Initiative	W91WAN-09-D-0022	12.599	Indiana	211
Total U.S. Department of Defense				<u>803,403</u>
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through PA Dept of Health, Housing Opportunities for Persons with AIDS	NGT5-40064	14.241	Clarion	<u>142,392</u>
Indiana Regional Convocation Center	B-06-SPPA0871	14.246	Indiana	1,188,000
Indiana Regional Convocation Center	B-06-SP-PA-0872	14.246	Indiana	1,188,000
Total Community Development Block Grants				<u>2,376,000</u>
Total U.S. Department of Housing and Urban Development				<u>2,518,392</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Other Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
U.S. Department of the Interior				
Pass-Through Pennsylvania Game Commission, Biodiversity of Fish Assemblages of the Lower Allegheny River	4100049374	15.634	California	\$ 41,157
Pass-Through Department of Commonwealth: Statemap Grant	80HQAG0088	15.810	Edinboro	<u>20,366</u>
Pass-Through Montana State University, American View: A National Remote Sensing Consortium	08HQGR0157	15.815	California	7,167
Pass-Through Pennsylvania State University, American View: A National Remote Sensing Consortium	08HqGR0157	15.815	California	<u>10,694</u>
Total National Land Remote Sensing				<u>17,861</u>
Pass-Through IUP Research Institute, Phase 1 Staple Bend Tunnel	IUP-C-0607-006	15.904	Indiana	<u>6,286</u>
Total U.S. Department of the Interior				<u>85,670</u>
U.S. Department of Justice				
Pass-Through IUP Research Institute: The Haven Project 09/10	2009-WA-AX-0013	16.525	Indiana	28,139
Violence Prevention Project	2009-WA-AX-0015	16.525	Lock Haven	72,615
DOJ-Bridger Project II	7033001019	16.525	Slippery Rock	<u>22,530</u>
Total Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus				<u>123,284</u>
Pass-Through IUP Research Institute: Certificate of Recognition	A8A8804552	16.302	Indiana	16,214
M.A. Degree in Criminal Law Enforcement Leadership in Weapons	A8A806151	16.302	Indiana	28,750
FBI - Certificate of Recognition	A9A903403	16.302	Indiana	61,551
FBI - Certificate of Recognition Cohort #3	A9A903404	16.302	Indiana	<u>47,273</u>
Total Law Enforcement Assistance - FBI Field Police Training				<u>153,788</u>
Pass-Through PA Commission on Crime and Delinquency: Secure Detention	6533100609	16.540	Shippensburg	<u>244,203</u>
Digital Evidence: Forensic Training	2008-DN-BX-K376	16.560	Edinboro	<u>39,063</u>
Pass-Through PA Commission on Crime and Delinquency: Balanced and Restorative Justice	6533101608	16.579	Shippensburg	3,732
Balanced and Restorative Justice	6533101610	16.579	Shippensburg	<u>129,484</u>
Total Edward Byrne Memorial Formula Grant Program				<u>133,216</u>
Pass-Through PA Commission on Crime and Delinquency, Alcohol Use Safety	2008-JU-01-19166	16.727	West Chester	3,938
Pass-Through IUP Research Institute, Corrections Education Clearing House PSE	2009-DI-BX-02007	16.753	Indiana	<u>23,709</u>
Total U.S. Department of Justice				<u>721,201</u>
U.S. Department of Labor				
Pass-Through PA Bureau of Employment Services & Training, Trade Act	TAA-0098-08-1 Addendum #9821	17.245	Indiana	16,256
Pass-Through NY Department of Labor Trade Adjustment Assistance	N/A	17.245	Mansfield	<u>842</u>
Total Trade Adjustment Assistance - Workers				<u>17,098</u>
Pass-Through N. Central PA Regional Planning & Dev Commission: Job Training Partnership Act	ARM-WIA-ARRA/D-010-10	17.250	Indiana	1,343
Job Training Partnership Act	ARM-WIA/RR-003-10	17.250	Indiana	743
Job Training Partnership Act	IND-WIA/RR-003-10	17.250	Indiana	2,797
Job Training Partnership Act	ARM-WIA/D-006-08	17.250	Indiana	<u>2,991</u>
Total Job Training Partnership Act				<u>7,874</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Other Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Trough Central Pennsylvania Workforce Development Corporation, Math and Science Summer Experience - ARRA	BLOO01-ARRA-RCEP IP SUST - 1057	17.258	Bloomsburg	\$ 3,694
Occupational Safety and Health Administration 06/07	E9F6-0930	17.504	Indiana	(23)
Occupational Safety and Health Administration 05/06	E9F6-0930	17.504	Indiana	(21)
Occupational Safety and Health Administration 05/06	CS17718CS9	17.504	Indiana	473,152
Occupational Safety and Health Administration 09/10	CS19393CS0	17.504	Indiana	1,162,883
Occupational Safety and Health Administration 07/08	CS16688CS8	17.504	Indiana	(770)
Total Consultation Agreements				<u>1,635,221</u>
Pass-Through Ben Franklin Technology Partners of NEPA, STEM Curriculum Development	WR-15407-06-60	17.261	East Stroudsburg	106,108
Bridging the Gap: Providing Education & Awareness in the Financial Services Sector	WR-15407-06-60	17.261	East Stroudsburg	<u>16,249</u>
Total WIA Pilots, Demonstrations, and Research Projects				<u>122,357</u>
Pass-Through PA Department of Environmental Protection, EMT Mine Train 06/07	MOU4000010013	17.600	Indiana	<u>1,878</u>
Total U.S. Department of Labor				<u>1,788,122</u>
<u>U.S. Department of Transportation</u>				
Pass-Through Loop Road, Federal Aid Highway Program	6560851002	20.205	Shippensburg	30,400
Pass-Through PA Department of Transportation, Federal Highway Department of Transportation - Summer Transportation Institute	DTH61-99R-0035	20.205	Cheyney	47,007
Pass-Through Traffic Synchronization, Federal Aid Highway Program	6561000002	20.205	Shippensburg	<u>56,528</u>
Total Highway Planning and Construction				<u>133,935</u>
Pass-Through PA Department of Transportation: Indiana Regional Highway Safety Project 2009-10	MOU-471059	20.600	Indiana	94,375
Indiana Regional Highway Safety Project 2008-09	MOU-471046	20.600	Indiana	41,928
Indiana Regional Highway Safety Project 2007-08	MOU-471028	20.600	Indiana	(1,917)
Indiana Regional Highway Safety Project 2006-07	MOU-471032	20.600	Indiana	(7,413)
Total State and Community Highway Safety				<u>126,973</u>
Driver Education & GDL Technical Assistance	DTNH22-05-H-05852/003	20.614	Indiana	20,517
University Level Driver Education Instructor	DTNH22-05-H-05852/004	20.614	Indiana	11
National Overview of Non Traditional Driver Education Programs	DTNH22-05-H-05852/007	20.614	Indiana	<u>38,546</u>
Total National Highway Transportation Administration Discretionary Safety Grants				<u>59,074</u>
Disadvantaged Business Methodology and Goal I	MOU-360605A	20.910	Indiana	160,075
Disadvantaged Business Methodology and Goal II	MOU-360605A	20.910	Indiana	<u>40,007</u>
Total Assistance to Small and Disadvantaged Businesses				<u>200,082</u>
Total U.S. Department of Transportation				<u>520,064</u>
<u>National Aeronautics & Space Administration</u>				
Pass-Through Pennsylvania State University, PA Space Grant Consortium	NGT5-40064	43.001	Clarion	12,923
Engaging Undergraduate Students in Astronomy Research	NNG05GF84H	43.001	West Chester	9,956
Increasing Junior Faculty Research Productivity	NNG05GF84H	43.001	West Chester	29,268
Developing a Project ASTRO National Site	NNG05GF84H	43.001	West Chester	4,000
Education for K-12 Teachers of Science and Environmental Education	NAG5-6080	43.001	West Chester	<u>183</u>
Total National Aeronautics & Space Administration				<u>56,330</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania
 Schedule Of Expenditures Of Federal Awards
 Other Federal Awards
 For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>National Endowment for the Arts</u>				
NEA-Materwork Revealed	7033001017	45.024	Slippery Rock	\$ 13,667
The Big READ	52418	45.024	West Chester	<u>9,945</u>
Total Promotion of the Arts - Grants to Organizations and Individuals				<u>23,612</u>
Pass-Through Mid Atlantic Arts Foundation:				
ARTS connect	65331006510	45.025	Shippensburg	8,000
Mid-Atlantic Tours 2010	09-6100-2049	45.025	Kutztown	3,625
American Masterpieces 2010 - Cherish the Ladies	09-6100-2049	45.025	Kutztown	2,000
Mid-Atlantic ARTS Connect	09-6100-2023	45.025	Kutztown	<u>8,200</u>
Total Promotion of the Arts - Partnership Agreements				<u>21,825</u>
Total National Endowment for the Arts				<u>45,437</u>
<u>Institute of Museum & Library Services</u>				
LSTA Library Services and Technology Act	LA-00-09-0039-09	45.310	Kutztown	11,982
Grants for Library Services and Technology Art (LSTA) Projects	41511804	45.310	Millersville	3,781
Pass-Through PA Department of Education:				
Library Services and Technology Act Grant (LSTA) - VU Find	202-909062	45.310	Office of the Chancellor	<u>33,395</u>
Total Grants to States				<u>49,158</u>
IMLS Building Leaders	RE-01-07-0107	45.313	Mansfield	<u>348,229</u>
Total Institute of Museum & Library Services				<u>397,387</u>
<u>National Science Foundation</u>				
Pass-Through University of Minnesota,				
PEET Venezuelan Caddis	DEB-0444939	47.074	Clarion	<u>30,453</u>
MRI: Acquisition of Analytics Microprobe Facilities for an Existing				
Scanning Electron Microscope	DMR-0923047	47.049	Lock Haven	<u>90,731</u>
Intensity in Diapycnal Nutrient Flux	OCE-05-507-25	47.050	Millersville	<u>30,555</u>
GEOPOD: Geosciences Prove to Discovery	IIS-0835411	47.070	Millersville	<u>114,434</u>
Pass-Through Carnegie Mellon University,				
Robotics Corridor	DUE - 0703104	47.076	California	34,263
Pass-Through Drexel University,				
Philadelphia AMP	HRD-0331559	47.076	Cheyney	20,065
Greater Philadelphia Region Louis Strokes Alliance for Minority Participation (LSAMP)	HRD-0903924	47.076	Cheyney	5,375
NSF BEAMS	HRD-056137	47.076	Cheyney	400,246
Strengthening the STEM	HRD-0811628	47.076	Cheyney	4,738
NSF - Robert Noyce Scholarship Program	DUE-0531960	47.076	Indiana	570
Pass-Through IUP Research Institute,				
NSF S-COAM (Scholarships Creating Opportunities Applying Math)	DUE-0966206	47.076	Indiana	9,053
Pass-Through Georgia State University,				
Undergraduate Faculty Workshop for the Integration of Chemistry and Art Into Liberal Arts, Chemistry and Teacher Curricula	DUE-0618678	47.076	Millersville	19,774
Pass-Through Massachusetts Institute of Technology,				
Exploiting Laboratory Experiments in the Teaching of Meteorology Oceanography, and Climate Phase II	DUE-0618678	47.076	Millersville	2,651
Model My Watershed: Develop a Cyberlearning App & Curricula to Enhance Interest in Stem Careers	DRL-0929639	47.076	Millersville	2,061
NSF Computer Science, Engineering, and Mathematics Scholarship Program	DUE-0122954	47.076	Millersville	141,890
Collaborative for Excellence in Teacher Preparation for Mathematics and Science in PA (CEPT-PA) Robert Noyce Scholarships				
	DUE-0531960	47.076	Office of the Chancellor	70,877
National Science Foundation-Advanced Manufacturing: Establishing Foundations for Education and Career Pathways from Middle School through College				
	DUE-0603367	47.076	Office of the Chancellor	45,066
Pass-Through Hofstra University/Husky Research Corporation:				
NSF Hofstra Subcontract-Simulation and Modeling in Technology Education	DRL-0821965	47.076	Bloomsburg	77,869
Improving the Recruitment, Retention, and Continuation of Students in Mathematics and the Physical Sciences	DUE-0727177	47.076	Bloomsburg	107,338
Nanoscience Scholars	DUE-072406	47.076	Lock Haven	99,721
NSF: S-Stem Sciences	0727732	47.076	Edinboro	<u>135,233</u>
Total Education and Human Resources				<u>1,176,790</u>
Total National Science Foundation				<u>1,442,963</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Other Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Small Business Administration</u>				
Tax Compliance Resource Program	SBAgQ-09-I-0116	59.000	Lock Haven	\$ 28,649
Pass-Through University of Pennsylvania:				
Small Business Development Center	6533101010	59.037	Shippensburg	62,931
Small Business Development Center 2010	0-603001-Z-0040-30	59.037	Indiana	36,218
Small Business Development Center	6533101110	59.037	Shippensburg	65,403
Small Business Development Center	0-603001-Z-0040-30	59.037	Clarion	289,763
Small Business Development Center	554538-M	59.037	Lock Haven	82,946
Kutztown University Small Business Development Center 2008	8-603001-Z-0040-28	59.037	Kutztown	173,581
Kutztown University Small Business Development Center 2007	0-603001-Z-0040-30	59.037	Kutztown	232,045
Total Small Business Development Centers				942,887
Total U.S. Small Business Administration				971,536
<u>U.S. Environmental Protection Agency</u>				
Digital Wetlands Development	EM 83302601	66.202	California	3,089
<u>U.S. Nuclear Regulatory Commission</u>				
US Nuclear Regulatory Commission Scholarship Program	NRC-38-09-920	77.006	Bloomsburg	9,557
US Nuclear Regulatory Commission Scholarship Program	NRC-38-08-971	77.006	Bloomsburg	8,635
Total U.S. Nuclear Regulatory Commission				18,192
<u>U.S. Department of Education</u>				
Pass-Through RMC Research,				
Delaware Education Support System	6492-001	84.010	West Chester	330
Pass-Through PA Dept of Education:				
Migrant PDE 09/10	017-090304	84.011	Millersville	26,436
Migrant PDE 08/09	017-08-0304	84.011	Millersville	39,743
Migrant 09/10	017-090104	84.011	Millersville	1,416,649
Migrant 08/09	017-08-0104	84.011	Millersville	360,087
Total Migrant Educations: Basic State Grant Program				1,842,915
Title III 2007-2008, 2008-2009, 2009-2010 CCRAA	P031B070075 P031B085075-09	84.031B 84.031B	Cheyney Cheyney	1,569,789 359,157
Total Title III - Strengthening HBCU Program				1,928,946
Student Support Services, 07/08	P042A050384-07	84.042A	East Stroudsburg	840
Student Support Services, 08/09	P042A050384-08	84.042A	East Stroudsburg	18,064
Student Support Services, 09/10	P042A050384-09	84.042A	East Stroudsburg	248,955
Student Support Services Program	P042A051078-08	84.042A	Kutztown	15,166
Student Support Services Program	P0-042A051078-09	84.042A	Kutztown	300,779
Student Support Services Program	P042A050799-05	84.042A	Bloomsburg	5,033
Student Support Services Program	P042A050799-09	84.042A	Bloomsburg	237,994
Student Support Services Program	P042A050799-09	84.042A	Bloomsburg	43,150
Student Support Services Program	P042A050799-08	84.042A	Bloomsburg	8,721
Student Support Services Program	P042A050799-08	84.042A	Bloomsburg	60
Special Services	P042A050820	84.042A	Lock Haven	332,448
Special Services	7033001011	84.042	Slippery Rock	256,353
Student Support Services	P042A050735-06	84.042A	Mansfield	279,562
Student Support Services Program	PO42A060210-08	84.042	California	1,385
Student Support Services Program	PO42A060210-09	84.042	California	284,713
Student Support Services Program	P042A050186-09	84.042	Clarion	349,589
TRIO-Student Support Services	P042Z050314-09	84.042	West Chester	250,563
TRIO-Student Support Services	P042Z050314-08	84.042	West Chester	38,884
Total TRIO - Student Support Services				2,672,259
Talent Search Program	P044A070045-09	84.044	Clarion	375,789
Talent Search Program	P044A060653-08	84.044A	Kutztown	13,278
Talent Search Program	P044A060653-07	84.044A	Kutztown	(631)
Total TRIO - Talent Search				388,436

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania
 Schedule Of Expenditures Of Federal Awards
 Other Federal Awards
 For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Upward Bound	P047A080324-09	84.047A	Bloomsburg	\$ 273,514
Upward Bound	P047A080324	84.047A	Bloomsburg	158,395
Upward Bound, 09/10	P047A080038-09	84.047A	East Stroudsburg	385,407
Upward Bound, 10/11	P047A080038-09	84.047A	East Stroudsburg	15,726
Upward Bound Program	P047A041141-08	84.047A	Kutztown	61,412
Upward Bound Program	P047A041141-07	84.047A	Kutztown	33,123
Upward Bound Math/Science Program	PO47M080203-09	84.047M	Kutztown	126,256
Upward Bound Math/Science Program	P047M080203	84.047M	Kutztown	71,055
Upward Bound Program 09/10	P047A090757	84.047A	Kutztown	143,639
Upward Bound Program	PO42A060210-09	84.047A	California	274,301
Upward Bound Program	PO47A080448-09	84.047	California	180,458
Upward Bound Program (Fayette County)	PO47A080305	84.047	California	58,156
Upward Bound Program (Greene County)	P047A080448	84.047A	California	47,234
Upward Bound Program	P047A070541-09	84.047	Clarion	409,053
Upward Bound-0607 & 0708	PO47A030787	84.047A	Lock Haven	295,038
Upward Bound Math and Science 2007-12	P047M070334	84.047M	Indiana	292,149
Total TRIO - Upward Bound				2,824,916
Pass-Through PA Dept of Education:				
Cari Perkins Vocational & Applied Technology Grant	381-10-0051	84.048	Clarion	145,512
Development of a Vocational Education Personnel Center 08/09	119-09-9003	84.048	Indiana	28,555
Development of a Vocational Education Personnel Center 05/06	119-06-6002	84.048	Indiana	8,014
Development of a Vocational Education Personnel Center 06/07	119-07-7003	84.048	Indiana	1,940
Development of a Vocational Education Personnel Center 09/10	UP 119-2009	84.048	Indiana	1,310,704
Post Secondary Services 08/09	381-09-8001	84.048	Indiana	4,503
PDE - OCA 08-09	119-09-9007	84.048	Indiana	2,243
Total Vocational Education - Basic Grants to States				1,501,471
Philadelphia Professional Development Initiative	P116Z08325	84.116Z	Lock Haven	23,749
Cybercrime and Forensics Institute: Education and Training in Cyber Crime	P116Z08005	84.116Z	East Stroudsburg	78,744
DOE Infrastructure	P116Z040079	84.116Z	East Stroudsburg	182,522
Technology Infrastructure Upgrades and Acquisitions	P116Z090009	84.116Z	West Chester	95,000
Course Development of Small Device Forensics Instruction for Law Enforcement Agencies and University Students	P116Z090263	84.116Z	Bloomsburg	60,916
Nursing FIPSE	P116Z090052	84.116Z	Mansfield	94,778
Western PA High Tech Crime Training Center	P116Z080171	84.116Z	Edinboro	24,895
Simulation Technology for Nursing Education	P116Z090162	84.116Z	Edinboro	14,669
Early Childhood Learning (E-Learning)	P116Z090301	84.116Z	Cheyney	1,511
Fund for the Improvement of Postsecondary Education	P116Z080139	84.116Z	California	41,866
Erma Burd Federal Scholarship Program	N/A	84.116E	Mifflersville	65,000
Center for Land Use	6533100205	84.116	Shippensburg	17,581
Enhancing Elementary/Middle Level Teacher's STEM Pedagogical Knowledge	P116Z090121	84.116	California	1,888
Total Fund for the Improvement of Postsecondary Education				703,119
Office of Vocational Rehabilitation Training Program	4000008505	84.126	Clarion	14,617
Challenging the Primacy of Alcohol in the Campus Culture of the 14 Universities in the Pennsylvania State System of Higher Education	Q184Z090014	84.184Z	Office of the Chancellor	68,951
Pass-Through PA Higher Education Assistance Agency, Robert C. Byrd Honors Scholarships		84.185A	Mansfield	6,000
Ronald E. McNair Scholars 2008-11	PA217A070107	84.217A	Indiana	214,406
Pass-Through PA Department of Education, 21st Century Community Learning Centers After School Program Grant Award	FC4100043696	84.287	Office of the Chancellor	70,624
Pass-Through University of Missouri: Mid-Continent Research for Education and Learning: Special Education- Research and Innovation to Improved Services and Results for Children with Disabilities	R324A080096	84.324	Edinboro	129,960
Pass-Through University of Missouri: Electronic Performance Support Systems (EPPS) No Tool Left Behind	R324B00176 H327A080036	84.327 84.327	California California	39,333 79,870
Total Special Education - Technology and Media Services for Individuals with Disabilities				119,203

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania
 Schedule Of Expenditures Of Federal Awards
 Other Federal Awards
 For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Personnel Development to Improve Services and results for Children With Disabilities-Project IMPRESS	H325K090312	84.325K	Bloomsburg	\$ 118,249
Personnel Development to Improve Services and results for Children With Disabilities-Project IMPRESS	H325J090312-10	84.325K	Bloomsburg	38,583
BU Doctor of Audiology Project	H325K080331	84.325K	Bloomsburg	46,144
BU Doctor of Audiology Project	H325K080331-09	84.325K	Bloomsburg	147,214
Qualified PE Teachers	7033001015	84.325	Slippery Rock	180,060
Personnel Development to Improve Services and results for Children with Disabilities	H325T090007	84.325T	California	<u>91,831</u>
Total Special Education - Technologies and Media Services for Individuals with Disabilities				<u>622,081</u>
Pass-Through Research Triangle Institute (RTI):				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	0209234.002.016-21	84.334S	Office of the Chancellor	21,701
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	P334S080005	84.334S	Office of the Chancellor	2,374,187
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334	Bloomsburg	60,166
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334A	Lock Haven	42,525
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334	Shippensburg	73,583
Lancaster GEAR UP	P334A050309	84.334A	Millersville	<u>32,607</u>
Total Gaining Early Awareness and Readiness for Undergraduate Programs				<u>2,604,769</u>
Childcare Access Means Parents in School DOE - Child Care	P335A090102 7033001018	84.335A 84.335A	California Slippery Rock	11,844 <u>3,558</u>
Total Child Care Access Means Parents in School				<u>15,402</u>
DOE - Program Reform	7033001008	84.336	Slippery Rock	<u>199,004</u>
Pass-Through PA Department of Education:				
Principals Leadership Induction Network (PLI) Home Plate: Hands on K-12 Mathematics Education Linked to PA Standards - Year 3	71-600001 71-4000-10	84.367B 84.367	Office of the Chancellor Indiana	624,724 2,606
Praxis Math Prep Workshop	71-70002	84.367	Indiana	32,800
Pass-Through University of Pittsburgh, CWEB Scholarships		84.367	Mansfield	<u>19,076</u>
Total Improving Teacher Quality State Grants				<u>679,206</u>
Pass-Through National Writing Project Corporation:				
Northeastern PA Writing Project 08/09	05PA11 (5)	84.928A	East Stroudsburg	35,289
Northeastern PA Writing Project 07/08	05-PA11 (4)	84.928A	East Stroudsburg	961
Southcentral PA Writing Project 06/07	92-PA08-Amendment #18	84.928A	Indiana	278
Southcentral PA Writing Project 07-09	92-PA08-Amendment #21	84.928A	Indiana	802
PA Writing Project 09/10	92-PA08-Amendment #22	84.928A	Indiana	31,741
National Writing Project	U928A0800001	84.928	Edinboro	5,625
National Writing Project		84.928A	Edinboro	24,495
National Writing Project	N/A	84.928A	Mansfield	75,670
National Writing Project	92-PA05	84.928A	West Chester	<u>44,112</u>
Total National Writing Program				<u>218,973</u>
Total U.S. Department of Education				<u>16,825,588</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania
 Schedule Of Expenditures Of Federal Awards
 Other Federal Awards
 For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Energy</u>				
Carver Renovation Project -ARRA	DE-fG02-08CH11510	81.049	Cheyney	\$ 640,320
Pass-Through Office of Science, CUCIES 2 - ARRA	DE-SC0002013	81.049	Cheyney	<u>25,440</u>
Total Office of Science Financial Assistance Program				<u>665,760</u>
Pass-Through Edinboro University Foundation, Energy Harvest Grant - ARRA	NW080015EH	81.041	Edinboro	687
Pass-Through PA Department of Environmental Protection, Geothermal Wells for Student Recreation Center - ARRA	SE080072EH	81.041	West Chester	<u>254,505</u>
Total State Energy Program				<u>255,192</u>
Pass-Through PA Department of Environmental Protection, PA Conservation Works Grant Carver Hall Project - ARRA	4100051828	81.128	Bloomsburg	<u>250,000</u>
Total U.S. Department of Energy				<u>1,170,952</u>
<u>National Nuclear Security Administration</u>				
Pass-Through National Nuclear Security Agency, STEM (CUCIES) Project	DE-FG52-06NA27572	81.123	Cheyney	<u>76,760</u>
<u>U.S. Department of Health and Human Services</u>				
Occupational Safety and Environmental Health Training Grant 08/09	TO2/OH008622-04	93.262	Millersville	4,464
Occupational Safety and Environmental Health Training Grant 09/10	2T02OH008622-05	93.262	Millersville	<u>42,673</u>
Total Occupational Safety and Health Program				<u>47,137</u>
Health Education Assessment Project	N/A	93.283	Lock Haven	<u>13,000</u>
Pass-Through Drexel University, Faculty Development: Integrated Technology into Nursing Education Practice Initiative	U1KHP09542	93.359	Bloomsburg	<u>16,824</u>
Head Start 2008-2009	6533100108	93.600	Shippensburg	14,231
Head Start 2009-2010	6533100109	93.600	Shippensburg	799,275
Head Start 2010-2011	653100010	93.600	Shippensburg	117,537
Head Start Training 2008-2009	6533100208	93.600	Shippensburg	531
Head Start Training 2009-2010	6533100209	93.600	Shippensburg	8,814
Head Start Training 2010-2011	6533100710	93.600	Shippensburg	<u>4,852</u>
Total Head Start				<u>945,240</u>
Head Start - ARRA	6533100410	93.708	Shippensburg	<u>51,010</u>
Campus Suicide Prevention	1H79SM057870-01	93.243	Bloomsburg	<u>17,667</u>
Pass-Through PA Department of Public Welfare, Chafee Education and Training Grant Program	4100047664	93.674	Bloomsburg	51,991
Chafee Education and Training Grant Program	N/A	93.674	Lock Haven	<u>15,000</u>
Total Chafee Foster Care Independence Program				<u>66,991</u>
Pass-Through IUP Research Institute, Emergency Service Personnel Dealing with Disability	IUP-C-0809-117	93.889	Indiana	<u>16,181</u>
NW PA Rural Aids Alliance - Ryan White Funding	4100048081	93.917	Clarion	<u>693,764</u>
Health Resources Administration	H76HA00756	93.918	Clarion	<u>437,887</u>
Total U.S. Department of Health and Human Services				<u>2,305,701</u>
<u>Corporation for National and Community Service</u>				
Pass-Through Dept of Labor & Industry: PennServe-Connector Corps	7033002029	94.006	Slippery Rock	383,181
PennServe-Recovery Corps - ARRA	7033002043	94.006	Slippery Rock	<u>465,026</u>
Total Corporation for National and Community Service				<u>848,207</u>

Pennsylvania State System Of Higher Education, Commonwealth Of Pennsylvania

Schedule Of Expenditures Of Federal Awards

Other Federal Awards

For The Year Ended June 30, 2010

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Veterans Affairs</u>				
Post 9/11 GI Bill		64.028	Millersville	\$ <u>392,294</u>
<u>U.S. Department of Homeland Security</u>				
FEMA Fire Prevention	EMW-2007-FP-00922	97.044	Mansfield	<u>538</u>
Pass-Through PA Emergency Management Agency (PEMA):				
2008 Homeland Security Grant Program (HSGP) - State Homeland Security Grant Program (SHSGP)	4100049475	97.067	Office of the Chancellor	39,408
PA Emergency Management Agency for the Pre-Disaster Mitigation - Competitive (PDMC) Grant Program	PDMC-PL-03-PA2005-003	97.017	Office of the Chancellor	<u>155,618</u>
Total U.S. Department of Homeland Security				<u>195,564</u>
<u>Other</u>				
Teaching Primary Sources Program	GA07C0061	unknown	California	186,015
Pass-Through The Pennsylvania State University, Pennsylvania Space Grant Consortium	NNG05GF84H	unknown	California	6,000
Pass-through Augusta Systems, Inc. Development of Advanced Panoramic Sensor Systems Optimized for Critical Infrastructure Protection	N00014-08-C-0372	unknown	California	27,845
Development of Advanced Panoramic Sensor Systems Optimized for Common Picture Displays	N00014-09-C-0629	unknown	California	23,641
Pass-Through The Pennsylvania State University, National Center for Robotics Engineering Technology Education	W15P7T-06-D-R401	unknown	California	453,236
National Center for Robotics Engineering Technology Education	EOIR PO P4002008	unknown	California	358,314
Pass-Through Garrett College, Planning CASE Pre-Engineering Modules	MOA	unknown	California	<u>6,670</u>
Total Other				<u>1,061,721</u>
TOTAL				<u>\$ 32,376,964</u>

**Pennsylvania State System Of Higher Education,
Commonwealth of Pennsylvania**

**Notes To Schedule Of Expenditures Of Federal Awards
For The Year ended June 30, 2010**

(1) Basis Of Presentation

The accompanying Schedule Of Expenditures Of Federal Awards (the "Schedule") represents a summary of federal awards expended by the Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania ("PASSHE"), and its member universities, for the year ended June 30, 2010. For purposes of the Schedule, federal awards include all U.S. Governmental financial assistance, procurement relationships between PASSHE and its member universities and the federal government, and subawards made under federally sponsored agreements that are received from nonfederal organizations.

The Schedule classifies the expenditures of federal awards into three historical categories; Student Financial Assistance Cluster, Research and Development Cluster, and Other Federal Awards. Within each category, federal awards have been classified as either direct (awards received directly from a federal agency) or pass through (subawards received from nonfederal organizations that were made under federally sponsored agreements). PASSHE recognizes expenditures of federal program funds on the accrual basis of accounting. Federal award expenditures shown on the Schedule in parenthesis represent adjustments to disbursements made in prior years.

During 2010 a fourth category was needed to disclose American Recovery and Reinvestment Act state fiscal stabilization funds.

(2) Relationship To Basic Financial Statements

The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Notes To Schedule Of Expenditures Of Federal Awards
For The Year ended June 30, 2010

(3) Student Financial Assistance

The following table shows certain information concerning student financial assistance programs detailed by University for the year ended June 30, 2010:

University	Federal Pell	Federal Supplemental Educational Opportunity Grant	Federal Work Study	Federal Perkins Administrative Allowance	Academic Competitiveness Grant	National Science & Mathematics Access To Retain Talent Grant	Teacher Education Assistance For College And Higher Education Grant
Bloomsburg	\$ 10,339,707	\$ 255,264	\$ 666,549	\$ 28,255	\$ 677,866	\$ 184,229	\$ -
California	10,448,667	307,247	350,833	-	562,057	196,000	98,000
Cheyney	4,989,138	352,976	217,013	-	77,706	-	-
Clarion	8,581,281	247,671	386,456	40,000	477,248	176,228	68,000
East Stroudsburg	6,427,928	229,697	294,266	7,758	272,111	103,000	-
Edinboro	12,293,652	345,974	385,404	36,569	238,101	74,434	141,000
Indiana	18,038,568	736,991	1,426,757	176,486	1,103,675	184,000	-
Kutztown	9,525,594	253,545	353,719	-	342,425	78,500	34,000
Lock Haven	7,683,572	323,048	310,312	-	334,513	38,000	22,000
Mansfield	5,712,920	136,775	162,498	5,432	193,962	54,000	95,750
Millersville	7,560,005	218,826	287,859	10,320	386,201	296,145	4,000
Shippensburg	6,756,249	212,770	227,099	-	376,207	88,000	36,000
Slippery Rock	10,263,007	276,705	412,057	-	659,456	302,500	4,000
West Chester	9,925,702	270,905	441,729	-	382,512	60,000	-
	<u>\$128,545,990</u>	<u>\$4,168,394</u>	<u>\$5,922,551</u>	<u>\$ 304,820</u>	<u>\$6,084,040</u>	<u>\$1,835,036</u>	<u>\$502,750</u>

The above amounts awarded to students include certain administrative allowances.

Notes To Schedule Of Expenditures Of Federal Awards
For The Year ended June 30, 2010

PASSHE participates in the following student loan programs: Federal Perkins Loan Program (CFDA No. 84.038); Nursing Student Loan Program (CFDA NO. 93.364); Federal Direct Loan Program (CFDA No. 84.268 and the Federal Family Education Loan Program (FFEL) (CFDA No. 84.032), which includes the Federal Stafford Loan Program, the Federal Supplemental Loan for Students Program (SLS), and the Federal Parent Loans for Undergraduate Students Program (PLUS). Loans awarded under these programs for the year ended June 30, 2010 are as follows:

<u>University</u>	<u>Federal Perkins Loans Awarded</u>	<u>Nursing Student Loans Awarded</u>	<u>FFEL Loans Awarded</u>	<u>Federal Direct Loans Awarded</u>
Bloomsburg	\$ 192,000	\$ -	\$ 53,099,790	\$ 2,248,453
California	64,500	-	63,295,376	-
Cheyney	-	-	11,341,766	-
Clarion	41,975	-	37,545,731	-
East Stroudsburg	155,150	-	38,301,262	-
Edinboro	186,335	16,250	42,432,693	8,489,479
Indiana	566,109	-	86,493,464	1,708,165
Kutztown	221,956	-	54,522,088	-
Lock Haven	141,420	-	24,500,872	-
Mansfield	108,631	-	21,928,991	584,391
Millersville	206,406	-	15,648,933	-
Shippensburg	259,865	-	39,727,770	408,098
Slippery Rock	437,390	-	56,924,463	167,597
West Chester	<u>1,328,204</u>	<u>52,250</u>	<u>66,868,255</u>	<u>337,603</u>
	<u>\$3,909,941</u>	<u>\$68,500</u>	<u>\$612,631,454</u>	<u>\$13,943,786</u>

Federal Perkins Loans and Nursing Student Loans awarded are included as part of Federal Perkins Loans and Nursing Student Loans outstanding on the schedule of expenditures of federal awards.

Notes To Schedule Of Expenditures Of Federal Awards
For The Year ended June 30, 2010

Outstanding loans under the programs administered by PASSHE universities for the year ended June 30, 2010 are as follows:

<u>University</u>	<u>Federal Perkins Loans Outstanding</u>	<u>Nursing Student Loans Outstanding</u>
Bloomsburg	\$ 1,850,938	\$ -
California	2,463,508	-
Cheyney	369,047	-
Clarion	721,832	-
East Stroudsburg	2,622,359	-
Edinboro	2,020,806	89,126
Indiana	8,752,156	-
Kutztown	3,876,525	-
Lock Haven	1,201,071	-
Mansfield	1,659,724	-
Millersville	1,567,684	-
Shippensburg	2,715,127	-
Slippery Rock	4,650,145	-
West Chester	<u>8,440,036</u>	<u>172,158</u>
	<u>\$42,910,958</u>	<u>\$261,284</u>

(4) MAJOR PROGRAMS

The amount expended under major programs totaled approximately \$892,000,000, which is over 97% of total expenditures of federal awards for the year ended June 30, 2010. This amount includes loans administered under the Federal Family Education Loan Program and Federal Direct Loan Program during the year ended June 30, 2010 and loans outstanding as of June 30, 2010 under the Federal Perkins Loan Program and the Nursing Student Loan Program.

(5) AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

American Recovery and Reinvestment Act funds are identified separately on the schedule of federal awards.

During 2010, PASSHE received State Fiscal Stabilization Fund - Education Grants. The purpose of the funds is to restore state support for elementary and secondary education and public institutions of higher education. The funds were used for education and general salary expenditures.

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Governors
Pennsylvania State System Of Higher Education,
Commonwealth of Pennsylvania

We have audited the financial statements of the Pennsylvania State System Of Higher Education, Commonwealth of Pennsylvania ("PASSHE") (a component unit of the Commonwealth of Pennsylvania) and its aggregate discretely presented component units as of and for the year ended June 30, 2010, which collectively comprise PASSHE's basic financial statements, and have issued our report thereon dated September 30, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on PASSHE's financial statements. The financial statements of the various component units were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered PASSHE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PASSHE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PASSHE's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of the Board of Governors, management, others within PASSHE, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parente Beard LLC

Wilkes-Barre, Pennsylvania
September 30, 2010

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Governors
Pennsylvania State System Of Higher Education,
Commonwealth of Pennsylvania:

COMPLIANCE

We have audited the Pennsylvania State System Of Higher Education, Commonwealth of Pennsylvania's ("PASSHE") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of PASSHE's major federal programs for the year ended June 30, 2010. PASSHE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PASSHE's management. Our responsibility is to express an opinion on PASSHE's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PASSHE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of PASSHE's compliance with those requirements.

In our opinion, PASSHE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-1, 10-2, 10-3, 10-4, 10-5, 10-6, 10-7 and 10-8.

INTERNAL CONTROL OVER COMPLIANCE

Management of PASSHE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PASSHE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PASSHE's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-3 and 10-7. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

PASSHE's response to the findings identified in our audit are described in the accompanying corrective action plans. We did not audit PASSHE's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Governors, management, others within PASSHE, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ParenteBeard LLC

Wilkes-Barre, Pennsylvania
March 29, 2011

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:				UNQUALIFIED
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	_____	X no
Significant deficiency(ies) identified?	_____	yes	_____	X none reported
Noncompliance material to financial statements noted?	_____	yes	_____	X no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	_____	X no
Significant deficiency(ies) identified?	_____	X yes	_____	none reported
Type of auditors' report issued on compliance for major programs:				UNQUALIFIED
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	X yes	_____	no

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
See Schedule of Expenditures of Federal Awards for CFDA Numbers	Student Financial Assistance Cluster
84.042, 84.044, 84.047, and 84.217	TRIO Cluster
See Schedule of Federal Awards for CFDA Numbers	Research and Development Cluster
84.394	State Fiscal Stabilization Fund (SFSF) - Education Grants ARRA
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$3,000,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> X <input type="checkbox"/> no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 10-1

Kutztown University – Student Financial Assistance Cluster (Federal Perkins Loan Outstanding CFDA #84.038)

CRITERIA:

If the institution is making a loan for a full academic year and uses standard academic terms, the institution must advance a portion of the loan during each payment period as required by 34 CFR 674.16.

CONDITION:

Two students out of a sample of 40 students tested received both Perkins loans disbursements during the spring semester.

QUESTIONED COSTS:

No questioned costs noted.

CONTEXT:

The University did not disburse a portion of the loan during each payment period.

EFFECT:

The students did not receive the disbursements in a timely manner.

CAUSE:

During the year, the University changed Perkins Loan servicers and during this conversion the students fall semester disbursements were overlooked. When the oversight was discovered during the spring semester and was disbursed upon discovery.

RECOMMENDATION:

The University should review the disbursement records against the awarded rosters in a timely manner.

MANAGEMENT COMMENT:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-2

Slippery Rock University – Trio Cluster (Student Support Services CFDA #84.042)

CRITERIA:

At least two-thirds of the students served by a Student Support Services project must be low-income individuals who are the first generation college students or individuals with disabilities as required by 34 CFR 646.7.

CONDITION:

The University did not meet the earmarking requirement.

QUESTIONED COSTS:

No questioned costs noted.

CONTEXT:

The University did not meet the earmarking requirement for the Student Support Services program.

EFFECT:

The University did not serve enough first generation college students or individuals with disabilities.

CAUSE:

The University has decided to no longer participate in this program and did not have enough students within the program during the year to meet the earmarking requirement.

RECOMMENDATION:

If the University should decide to participate in the program again, additional monitoring procedures should be implemented.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-3

Cheyney University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grant CFDA #84.007, Federal Work Study Program CFDA #84.033, Federal Pell Grant CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, National Science and Mathematics Access to Retain Talent Grant CFDA #84.376, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Federal Family Education Loan Program CFDA #84.032, Federal Direct Loan Program CFDA #84.268, Federal Perkins Loans CFDA #84.038, and Federal Nursing Loans CFDA #93.364).

CRITERIA:

The University is required to return Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the University's determination that the student withdrew as required by 34 CFR 668.22.

CONDITION:

Sufficient documentation was not available at the time of review to conclude the return of Title IV funds were made in a timely manner.

QUESTIONED COSTS:

Questioned costs could not be determined.

CONTEXT:

The University was not able to produce sufficient documentation to support the return of Title IV funds for all eligible students during the period under audit.

EFFECT:

The University may not have made a post-disbursement to a student.

CAUSE:

There was a lack of controls in place to ensure refund calculations and any related refunds were being processed.

RECOMMENDATION:

The University should implement policies and procedures to ensure return of Title IV calculations are performed in a timely manner.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

FINDING 10-4

Cheyney University – Student Financial Assistance Cluster (Federal Pell Grant CFDA #84.063)

CRITERION:

An institution must submit Federal Pell Grant, Academic Competiveness Grants, or National SMART Grant disbursement records to the Department's Common Origination and Disbursement (COD) System no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement required by 34 CFR 690.83.

CONDITION:

The University did report the student's Pell Grant disbursements to COD, however outside of the thirty day requirement.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

CONTEXT:

The University did not report Pell Grant disbursement records to the COD in a timely manner for six students out of a sample of sixty.

EFFECT:

The University did not follow the reporting requirements relating to Pell grants.

CAUSE:

The University's process in indentifying Pell payments to students was not adequate to ensure timely reporting for Pell grant disbursements.

RECOMMENDATION:

The University should implement policies and procedures to ensure all Pell disbursements are reported in a timely manner.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-5

Cheyney University – Student Financial Assistance Cluster (Federal Family Education Loans CFDA #84.032)

CRITERION:

The University must disburse funds requested as soon as administratively feasible but no later than three business days for electronic funds transfers or thirty days for manual checks after receipt by the University as required by 34 CFR 668.162.

CONDITION:

The disbursements to the student's accounts were received through an EFT and credited to the student's accounts in excess of thirty days.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

CONTEXT:

The University did not disburse federal family education loans in a timely manner to two students in a sample of sixty.

EFFECT:

The student's accounts did not reflect the loan funds that were received by the University in a timely manner.

CAUSE:

The University did not have sufficient policies and procedures in place to ensure the funds were credited in a timely manner.

RECOMMENDATION:

The University should implement policies and procedures to ensure all loan funds are credited in a timely manner.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-6

Cheyney University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grant CFDA#84.007, Federal Work Study Program CFDA #84.033, Federal Pell Grant CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, National Science and Mathematics Access to Retain Talent Grant CFDA #84.376, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Federal Family Education Loan Program CFDA #84.032, Federal Direct Loan Program CFDA #84.268, Federal Perkins Loans CFDA #84.038, and Federal Nursing Loans CFDA #93.364)

CRITERION:

The institution's verification procedures must provide that it shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of the documentation needed to satisfy the verification requirements and the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action as required by 34 CFR 668.53.

CONDITION:

The University's Director of Financial Aid indicated that the student did not attend the University. However, the student had federal funds disbursed and a transcript indicating that they did attend the University.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

CONTEXT:

The University did not obtain a verification package for one student in our sample of sixty.

EFFECT:

The University did not follow their verification policies and procedures.

CAUSE:

The University did not have sufficient policies and procedures in place to ensure all students selected for verification were informed of the verification policies and deadlines.

RECOMMENDATION:

The University should implement policies and procedures to ensure all required student verification are performed.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-7

Cheyney University – Student Financial Assistance Cluster (Federal Family Education Loan Program CFDA #84.032 and Federal Direct Loan Program CFDA #84.268)

CRITERION:

The University is required to notify the guaranty agency or lender within 30 days of a change in a student's status, unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within 60 days as required by 34 CFR 682.610.

CONDITION:

The University did not have a process in place to ensure all withdrawing students were reported to the Secretary.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

CONTEXT:

Student status changes for 35 of 57 students in our sample were not reported in a timely manner. Further, three of the 35 students were not reported to the Secretary.

EFFECT:

The student's repayment period on their loan may be incorrect due to the National Student Clearinghouse not being informed in a timely manner.

CAUSE:

The University did not have sufficient policies and procedures in place to ensure withdrawing students were reported to the Secretary in a timely manner.

RECOMMENDATION:

The University should implement policies and procedures to ensure all withdrawing students are reported to the Secretary in a timely manner.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 10-8

Cheyney University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grant CFDA#84.007, Federal Work Study Program CFDA #84.033, Federal Pell Grant CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, National Science and Mathematics Access to Retain Talent Grant CFDA #84.376, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Federal Family Education Loan Program CFDA #84.032, Federal Direct Loan Program CFDA #84.268, Federal Perkins Loans CFDA #84.038, and Federal Nursing Loans CFDA #93.364)

CRITERION:

An institution shall require an applicant selected for verification to submit acceptable documentation that will verify or update information used to determine the applicant's expected family contribution adjusted gross income (AGI) for the base year data was used in determining eligibility, or income earned from work, for a non-tax filer as required by 34 CFR 668.56.

CONDITION:

The student had multiple changes in dependency causing the adjusted gross income to be entered incorrectly resulting in an incorrect zero EFC.

QUESTIONED COSTS:

The questioned costs associated with this finding are undeterminable.

CONTEXT:

The adjusted gross income for one student in our sample of sixty did not agree to the amount indicated on the student's ISIR.

EFFECT:

The student may have received awards in excess of need.

CAUSE:

The University did not have sufficient policies and procedures in place to ensure the verification was performed correctly.

RECOMMENDATION:

The University should implement policies and procedures to ensure correct information is included in the student's ISIR.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

SECTION IV- SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDING 09-1

California University – Research and Development Cluster (CFDA #20.514)

CONDITION:

During 2009, the following deficiencies were noted:

- Expenditures recorded by the University were based on budgeted expenditures. Cost Circular A-21 and Federal Cost Accounting Standards (“CAS”) require that costs charged to federal grants be actual costs incurred, not budgeted or projected amounts.
- Cash requests and withdrawals were made for budgeted expenditures. Per 2 CFR 215.22 (b)(2), cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.
- Payments received were not disbursed within the required three business days, as required by the FTA Circular C 6100.1C.
- Quarterly Financial Status reports filed by the University reported budgeted expenditures. Per 2 CFR 215.21 (b)(7), the University must maintain accounting records including cost accounting records that are supported by source documentation. Documentation maintained included only milestone and quarterly progress reports, which did not detail the actual costs incurred by the sub-recipient during the year ended June 30, 2009.
- A revised budget was not prepared or submitted to the FTA to detail the required budgeting changes. Per 2 CFR 215.25 (b), recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.
- The University did not have adequate internal control procedures in place for monitoring funds passed-through to the University’s subrecipient. Per 2 CFR 215.51 (a), the University as the recipient is required to monitor subrecipient activity and ensure that any subrecipient has met the necessary audit requirements.
- The University did not complete and file a required Certification and Assurance with the FTA regarding its lobbying and alcohol misuse as required by 49 CFR part 20.110 (a)(1).

RECOMMENDATION:

The University should review the current internal control process and implement necessary changes.

STATUS:

No similar findings were noted in 2010.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 09-2

Cheyney University – Student Financial Assistance Cluster

CONDITION:

Although records were maintained, there was no reconciliation between the supporting information and the amounts reported in the FISAP under federal work study and federal supplemental education opportunity grants. Upon discovery, the University was able to prepare and provide a reconciliation to the supporting data.

RECOMMENDATION:

The individual preparing the FISAP should work with the Business Office to ensure all amounts reported are properly reconciled to supporting data.

STATUS:

No similar findings were noted in 2010.

FINDING 09-3

Cheyney University – Student Financial Assistance Cluster

CONDITION:

Student status changes for three students in our sample were not reported in a timely manner.

RECOMMENDATION:

The University should evaluate current policies related to NSLDS submissions.

STATUS:

See current year finding 10-7.

FINDING 09-4

Indiana University – Student Financial Assistance Cluster

CONDITION:

Student status change was not submitted timely.

RECOMMENDATION:

The University should evaluate current policies related to NSLDS submissions.

STATUS:

No similar findings were noted in 2010.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 09-5

Kutztown University - TRIO Cluster

CONDITION:

Within our sample, we noted the University reported two students' eligibility incorrectly.

RECOMMENDATION:

The University has decided to discontinue their participation in the Talent Search Program beginning in fiscal year 2009. The University should continue to monitor compliance with compliance requirements relating to the other programs they participate in under the TRIO cluster.

STATUS:

The University did not participate in the Talent Search Program in the current year.



KUTZTOWN
UNIVERSITY
KUTZTOWN UNIVERSITY
CORRECTIVE ACTION PLAN

March 23, 2011

U.S. Department of Education

Kutztown University respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm:

ParenteBeard LLC
46 Public Square, Suite 400
Wilkes-Barre, PA 18701

Audit period: June 30, 2010

The finding from the June 30, 2010 schedule of findings and questioned costs are discussed below.

FINDING 10-1

Kutztown University – Student Financial Assistance Cluster (Federal Perkins Loans Outstanding CFDA# 84.038)

Recommendation:

The University should review the disbursement records against the award rosters in a timely manner.

Action Taken:

University ceased contract with ECSI (Perkins processing agent) in December 2009. Data was converted to Campus Partners (new Perkins processing agent) in January 2010. Two students completed MPN's with ECSI in December 2009 and were not converted properly to Campus Partners. This was not found in data verification random selection. Upon finding, all action in December 2009 with ECSI was reviewed for accuracy with Campus Partners, not just random selection as done initially. Future corrective action plans include detailed testing of data for the last month with a company, not just random selection should we ever transition to a new processing agent in the future.

If the U.S. Department of Education has questions regarding this plan, please call 610-683-4185.

Sincerely yours,

A handwritten signature in cursive script that reads "Wendy A. Pursell". The signature is written in black ink and is positioned above the printed name.

Wendy A. Pursell
University Bursar
Kutztown University of Pennsylvania



Enrollment Services

Academic Advisement
Academic Records & Summer School
Admissions
Department of Academic Services
Career Services
Financial Aid
Graduate Admissions
Office for Students with Disabilities
Orientation
Retention Services

CORRECTIVE ACTION PLAN

February 28, 2011

U.S. Department of Education

Slippery Rock University respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

ParenteBeard LLC
220 Regent Court, Suite C
State College, PA 16801

Audit period: June 30, 2010

The findings from the June 30, 2010 schedule of findings and questioned costs are discussed below.

FINDING 10-4

Slippery Rock University – TRIO Cluster

Recommendation:

The University has decided to discontinue their participation in the Student Support Services Program beginning in fiscal year 2011. The University should ensure there are policies and procedures in place to ensure earmarking requirements are identified and monitored on all grants received by the University.

Action Taken:

No action is required. The SSS program at Slippery Rock University completed the final Annual Performance Report (APR), and it was successfully accepted by the Federal Government at the beginning of January 2011. The program is now closed at Slippery Rock University.

If the U.S. Department of Education has questions regarding this plan, please call (724-738-2688).

Sincerely yours,

A handwritten signature in black ink, appearing to read "Susan Parsons".

Susan Parsons
Academic Services Department
Slippery Rock University of Pennsylvania



Cheyney University of Pennsylvania

1837 University Circle
Cheyney, Pennsylvania 19319-0200
610-399-2000
www.cheyney.edu

**CHEYNEY UNIVERSITY
CORRECTIVE ACTION PLAN**

March 29, 2011

U.S. Department of Education

Cheyney University respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

ParenteBeard LLC
46 Public Square, Suite 400
Wilkes-Barre, PA 18701

Audit period: June 30, 2010

The findings from the June 30, 2010 schedule of findings and questioned costs are discussed below.

FINDING 10-3

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure any required return is calculated and returned in a timely manner.

Action Taken: Upon uncovering this issue the current Director of Financial Aid began a rebuild of the Return to Title IV process, implementing R2T4-on-the-web for the 2010-2011 academic year. Additionally, a rebuild of 2009-2010 withdraw activity is ongoing, and is being controlled by R2T4-on-the-web. Though coordination with The Cheyney University Office of the Provost, communications regarding withdrawn students and timing of official letters of withdraw are constantly under review and improving. The Director of Financial Aid will recommend that all withdraw activity is recorded, by official date, on hard-copy lists, and in the University's data management program, PowerCAMPUS.

FINDING 10-4**Cheyney University – Student Financial Assistance Cluster****Recommendation:**

The University should implement policies and procedures to ensure all Pell disbursements are reported in a timely manner.

Action Taken: Currently, communication to COD occurs immediately after every on-campus disbursement. The current turnaround time from the on-campus disbursement to a student account, to the creation and transfer of a COD batch (via EdConnect), and then onto the necessary loading of COD return batches into the on-campus financial aid management system is approximately one day. These disbursements to COD either result in an accepted federal disbursement, or in a batch exception which must be captured and fixed. In all cases, the Office of Financial Aid can currently document either an accepted federal disbursement, or a batch exception within the required 30 day period.

FINDING 10-5**Cheyney University – Student Financial Assistance Cluster****Recommendation:**

The University should implement policies and procedures to ensure all loan funds are credited in a timely manner.

Action Taken: The current Director of Financial Aid is unable to identify why loan funds in the cases were not credited within the three business day requirement. With the implementation of Direct Lending in 2010, this issue no longer exists; however, the Director will research past practice and will issue a report to the Office of the Bursar and to the Office of the Vice-President of Finance and Administration. With regard to corrective action, the disbursement of loans via the Federal Direct Loan program(s) is tightly controlled through financial aid management software. Disbursements occur at least once a week with especially busy weeks seeing up to three disbursements. These disbursements are then communicated to COD immediately after the disbursement to a student account. These disbursements to COD result in either an accepted federal disbursement, or in a batch exception which must be captured and corrected.

These exceptions are recorded during the required direct lending monthly reconciliation. In all cases, the Office of Financial Aid can document either an accepted federal disbursement, or a COD batch exception, within the required 30 day period.

FINDING 10-6

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure all required student verification are performed.

Action Taken: Currently, absolutely no disbursements of Federal, State, or Institutional aid dollars occur before verification is complete. The University is currently programming a new management system for 2011-2012 that will ensure that dollars never disburse without completed verification, as should be expected. For the student in question, verification occurred in June, 2009, but the University is unable to locate the verification wrap holding required documents.

FINDING 10-7

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure all withdrawing students are reported to the Secretary in a timely manner.

Action Taken: The current Director of Financial Aid will meet with the Office of the Registrar and the Provost to review required activities revolving around the National Student Loan Clearinghouse. The Clearinghouse process at Cheyney during both 2009-2010 and 2010-2011 was in a period of transition. After meeting with academic staff and registration staff, I will update all Cheyney University Cabinet members on how I believe that Clearinghouse transition is progressing. After this meeting I will follow-up with written recommendations regarding Clearinghouse timing, transmissions, and reporting.

FINDING 10-8**Cheyney University – Student Financial Assistance Cluster****Recommendation:**

The University should implement policies and procedures to ensure correct information is included in the student's ISIR.

Action Taken: Currently, all corrections process through on-campus management software. Incorrect income figures are routinely corrected through verification and routine checking of all new transactions. In this specific situation, a correction was filed, but the correction did not result in a new transaction. This error caused Pell values to calculate incorrectly during automated packaging. To be sure that this problem does not occur in the future, the current Director of Financial Aid will create a series of exception reports in PowerFAIDS that capture all new transactions with associated data changes. For the student in question, Pell funds were returned through COD upon discovery of the issue.

If the U.S. Department of Education has questions regarding this plan, please call (610-399-2155).

Sincerely yours,



Christopher K. Hanlon 3/29/11
Director of Financial Aid
Cheyney University of Pennsylvania