

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

Financial Statements and
Supplementary Information

June 30, 2011

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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, 2011 and 2010, 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 \$301,682,000 and \$300,925,000 as of June 30, 2011 and 2010. 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, 2011 and 2010, 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, 2011 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 11 and the Required Supplementary Information on page 34 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.

Parente Beard LLC

Wilkes-Barre, Pennsylvania
September 30, 2011

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 120,000 students enrolled, PASSHE is the state's largest higher education provider. Its 14 Universities offer the lowest-cost four-year baccalaureate degree programs in the state 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 financial activities for the year ended June 30, 2011, as compared to the year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- In fiscal year 2010/11, PASSHE received \$465.2 million in General Fund appropriations from the Commonwealth, equivalent to the General Fund appropriations received in fiscal year 2009/10.
- The Commonwealth also appropriated to PASSHE \$38.2 million of federal funds from the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds program in fiscal year 2010/11. PASSHE received \$65.2 million in ARRA funds in fiscal year 2009/10, which included \$27.1 million of funds for fiscal year 2008/09 that previously had not been received.
- The combined Commonwealth General Fund and federal (ARRA) appropriations in fiscal year 2010/11 totaled \$503.4 million, a decrease of \$27.1 million, or 5.1%, from fiscal year 2009/10. This funding reduction occurred solely in the federal appropriation.
- In 2010/11, for the second year in a row, PASSHE's Realty Transfer Tax allocation from the Keystone Recreation, Park and Conservation (Key '93) Fund was eliminated by the Commonwealth. Key '93 funds, which totaled \$13.9 million in fiscal year 2008/09, had provided a consistent revenue stream for deferred maintenance projects since 1993. Key '93 funding is being restored in 2011/12.
- In February 2009, the Governor committed to doubling the Commonwealth's capital funding for construction projects on PASSHE campuses to \$130 million annually. Capital appropriations for fiscal year 2010/11 reflect the second full year of capital funding at this level. 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 \$1.3 million and \$2.4 million in fiscal years 2010/11 and 2009/10, respectively.
- 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 \$35.6 million of PASSHE's appropriations for performance funding in fiscal year 2010/11.
- PASSHE continued to experience record enrollment growth in fiscal year 2010/11. In fall 2010, enrollment was up for the 14th straight year, increasing by 2,576 students, or 2.2% from fall 2009, to 119,513, the highest level in PASSHE's history.
- In fall 2010, a record 3,440 students transferred from community colleges to PASSHE Universities, accounting for nearly 45% of all transfer students and nearly 16%

of the total new student population. An additional 3,534 students transferred to PASSHE Universities from other colleges and universities.

- PASSHE's Board of Governors (Board) approved a tuition rate increase of 4.5% for undergraduate resident students in fiscal year 2010/11. Mandatory student fees set by the Universities increased, on average, by 8.4%. These tuition and fee increases, combined with the increase in enrollment, resulted in tuition and fee revenue (before discounts) of \$933.2 million, an increase of \$66.5 million, or 7.7%, from fiscal year 2009/10.
- The most common room and board fees set by the Universities increased 5.1% and 7.6%, respectively, resulting in revenue of \$245.6 million, an increase of \$20.5 million, or 9.1%, from fiscal year 2009/10.
- PASSHE Universities continue to provide the most affordable option among all four-year colleges and universities in Pennsylvania. PASSHE's annual tuition increases have been below the rate of inflation in four of the last six years. The College Board indicates that the average annual cost of attending a PASSHE University, including tuition, required fees, room, and board, is \$602 below the national average and \$2,433 below the average charged by other four-year public colleges and universities in the Mid-Atlantic region of the United States.
- PASSHE is committed to its core mission of providing quality education at an affordable cost. Through collaborative purchasing of goods and services, reduced energy consumption, and work force management, the Universities eliminated more than \$220 million from their budgets over the last decade.
- 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 Pennsylvania 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. A total of 273 positions were vacated, representing 57 positions in fiscal year 2010/11 and 216 positions in fiscal year 2009/10. Of these positions, approximately 20% have been eliminated. The total costs of the cash incentives and associated Social Security and Medicare taxes were \$4.6 million, representing \$0.9 million in fiscal year 2010/11 and \$3.7 million in 2009/10. It is expected that annual cost savings of greater than \$10.8 million will be realized in fiscal year 2011/12 and beyond due to fewer positions and replacements at lower compensation levels.
- To ensure that academic programs match the needs of both students and employers, over the last six years the Universities have eliminated 108 programs and placed 130 others in moratorium. During the same time, 36 new programs were introduced and 43 others redesigned, mostly in the science, technology, and allied health fields.
- PASSHE purchased \$196.2 million in capital assets in fiscal year 2010/11, including \$170.6 million to build or improve academic and auxiliary facilities across all 14 Universities.
- On July 8, 2010, PASSHE issued Series AL bonds totaling \$135.4 million, of which \$104.2 million was used to provide funds to undertake various capital projects at the Universities, including:
 - \$2.5 million for academic facilities and a campus police and welcome center at Edinboro;
 - \$0.9 million for Marine Science Consortium facilities;
 - \$12.8 million for information systems at California, Clarion, and Slippery Rock;
 - \$3.0 million for Edinboro's student health center;
 - \$1.3 million for student residences at Bloomsburg;
 - \$37.7 million for student union and recreation centers at Millersville, Shippensburg, and West Chester;
 - \$6.7 million for athletic facilities at California and Shippensburg;
 - \$3.0 million for parking facilities at Edinboro and West Chester;

- \$31.5 million for the Kovalchick Convention and Athletic Complex at Indiana; and
- \$4.8 million for property purchases by Mansfield and West Chester.
- Of the Series AL bonds noted above, \$31.2 million was used to advance refund Series T revenue bonds. This refunding was completed to reduce debt service by approximately \$2.6 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2.6 million.
- During fiscal year 2010/11, \$41.7 million of principal and \$42.9 million of interest was paid, bringing the total outstanding bond debt to \$885.3 million at June 30, 2011. In June 2011, Moody's Investors Service, Inc. (Moody's), assigned PASSHE a bond rating of Aa2.
- Moody's ratings outlook for PASSHE has been revised from Stable to Negative, reflecting Moody's "concerns of stagnant enrollment and net tuition revenue trends due to heightened competition, declining high school graduates in the Commonwealth and student concerns of education costs from rising tuition charges; potential for union contract terms for compensation and benefits, driving upward an unfunded liability for postretirement benefits and pension funding costs; continued rising debt from SSHE [PASSHE] debt and financing for additional student housing projects."
- Moody's notes in the ratings outlook that PASSHE has a highly leveraged balance sheet when including the privatized student housing of the affiliates. Although the affiliates' debt is legally nonrecourse to PASSHE, Moody's includes the privatized debt as PASSHE's debt because the affiliate-owned replacement beds comprise a substantial portion of the Universities' housing stock, "resulting in strong strategic and operational linkages between the universities and their respective affiliates."
- Moody's notes as PASSHE's strengths "its market position as the public university system in the Commonwealth of Pennsylvania and one of the largest in the nation, with good enrollment trends, growth in net tuition revenues, good debt service coverage and liquidity," and rapid amortization of debt with many issues having 20-year maturities.

Balance Sheet

The Balance Sheet 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 \$53.9 million in fiscal year 2010/11, as compared to an increase of \$43.9 million in fiscal year 2009/10. Following is a summary of the balance sheet at June 30, 2011 and 2010.

<i>(In millions)</i>	June 30, 2011	June 30, 2010
Capital assets, net	\$1,551.9	\$1,464.8
Other assets	1,400.1	1,295.2
Total assets	<u>\$2,952.0</u>	<u>\$2,760.0</u>
Workers' compensation liability	\$19.0	\$16.5
Compensated absences liability	101.8	104.0
Postretirement benefits liability	791.5	722.6
Bonds payable	885.3	825.4
Other liabilities	413.3	404.3
Total liabilities	<u>2,210.9</u>	<u>2,072.8</u>
Invested in capital assets, net of related debt	601.6	615.9
Restricted	76.5	67.9
Unrestricted	63.0	3.4
Total net assets	<u>741.1</u>	<u>687.2</u>
Total liabilities and net assets	<u>\$2,952.0</u>	<u>\$2,760.0</u>

- *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 \$68.9 million to \$791.5 million for the year ended June 30, 2011. 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 decreased by \$2.2 million to \$101.8 million for the year ended June 30, 2011. 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.
- Of the \$59.6 million increase in *Unrestricted* net assets, \$27.5 million is attributed to University reclassifications from *Invested in capital assets, net of related debt*. These reclassifications are a result of a review of net asset classifications by each University in 2011.

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 \$290 million, an increase of \$12.6 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 2010/11 was \$24.4 million, a decrease of \$3.9 million from the prior year. The decrease is due to decreasing interest rates. Interest rates decreased over the fiscal year from a high of 2.10% in July 2010 to a low of 1.37% in March 2011, or a 146-basis-point decrease from the prior fiscal year high. The 12-month average interest rate for fiscal year 2010/11 was 47 basis points lower than the average 12-month interest rate for fiscal year 2009/10.
- Universities spent \$696.7 million on instruction, or 37.2% of total operating expenses, in fiscal year 2010/11. This represents an increase of \$32.5 million, or 4.9%, over fiscal year 2009/10.
- PASSHE is the 13th largest employer in the state, with more than 12,150 professional and support staff. Salaries and benefits totaled \$1.28 billion. Salaries increased by \$15.9 million, or 1.8%, while benefits increased by \$15.6 million, or 4.2%, for an overall increase of \$31.4 million over fiscal year 2009/10:
 - Employer hospitalization benefits assessed costs decreased 1.4% over fiscal year 2009/10, for a total decrease of \$1.6 million. This follows consecutive increases of 16.9% (\$16.5 million) in fiscal year 2009/10 and 16.8% (\$14.0 million) in fiscal year 2008/09 over the prior fiscal years.
 - Employer annuitant health care assessed costs increased 7.8% over fiscal year 2009/10, for a total increase of \$9.1 million. This follows consecutive increases of 4.9% (\$5.5 million) and 7.9% (\$8.2 million) in fiscal years 2009/10 and 2008/09, 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 \$8.1 million, or 5.3%, over fiscal year 2009/10, compared to an increase of \$5.9 million in fiscal year 2009/10, or 4.0%, over fiscal year 2008/09.
- Interest expense on capital asset-related debt was \$36.4 million, an increase of \$1.4 million over fiscal year 2009/10.

Following is a summary of revenues and expenses for the years ending June 30, 2011 and 2010.

<i>(in millions)</i>	June 30, 2011	June 30, 2010
Operating revenues		
Tuition and fees, net	\$723.5	\$667.4
Grants and contracts	315.3	301.7
Auxiliary enterprises, net	319.0	294.2
Other	40.8	37.3
Total operating revenues	1,398.6	1,300.6
Other revenues		
State appropriations	504.7	532.8
Investment income, net	24.0	27.9
Unrealized gain (loss) on investment	6.1	15.9
Gifts, grants, and other	29.3	26.1
Total other revenues	564.1	602.7
Total revenues	\$1,962.7	\$1,903.3

<i>(in millions)</i>	June 30, 2011	June 30, 2010
Operating expenses		
Instruction	\$696.7	\$664.2
Research	7.1	7.1
Public service	35.6	36.4
Academic support	159.0	164.8
Student services	164.6	155.1
Institutional support	249.6	246.2
Operations and maintenance of plant	140.3	140.2
Depreciation	108.2	105.7
Student aid	79.6	76.9
Auxiliary enterprises	231.1	220.2
Total operating expenses	1,871.8	1,816.8
Other expenses		
Interest expense on capital asset-related debt	36.4	35.0
Loss on disposal of assets	.6	7.3
Total other expenses	37.0	42.3
Total expenses	\$1,908.8	\$1,859.1

FUTURE ECONOMIC FACTORS

- PASSHE anticipates that the prolonged national recession will continue to distress the Commonwealth's budget, with a negative effect on Pennsylvania's revenue and PASSHE's state funding through at least fiscal year 2012/13. The Governor's Program Policy Guidelines for preparation of the 2012/13 Commonwealth budget state that "the Pennsylvania economy is still in recovery and has not yet emerged from the 'Great Recession.'" The Commonwealth's revenues for the first two months of fiscal year 2011/12 have fallen short of estimates, and the recovery costs associated with recent natural disasters will impede Pennsylvania's economic recovery, which was already sluggish. Mandatory expenditure increases, including those of pensions, health care benefits, corrections, and debt service, are projected to eclipse available revenue.
- In fiscal year 2011/12, PASSHE will receive an 18% reduction in General Fund appropriations from the Commonwealth, compared to the combined state and federal appropriations received in fiscal year 2010/11. This \$412.8 million funding level is less than the appropriations PASSHE received from the Commonwealth in fiscal year 1997/98. ARRA State Fiscal Stabilization Funds are no longer available.
- The Commonwealth has restored its commitment to PASSHE to distribute its Realty Transfer Tax allocation from the Key '93 funds. PASSHE estimates that it will receive \$8.3 million from this revenue stream in 2011/12 for deferred maintenance projects. Because of the delay in the release of the funds from the Commonwealth, the \$8.3 million represents only the first three quarters of the total estimated \$11.9 million distribution, with the fourth quarter expected to be received in late fall of next year. Key '93 funds are derived from the Real Estate Transfer Tax, so the actual amount received is subject to the health of the real estate market.
- The Board approved a 7.5% increase in tuition for the 2011/12 academic year. The \$436 increase for full-time, resident undergraduate students sets the new rate at \$6,240, the lowest among all four-year colleges and universities in Pennsylvania.
- After 14 straight years of record enrollments, some Universities are anticipating reductions in fall 2011 enrollment that may result in a slight decline in PASSHE's overall 2011/12 enrollment. Contributing factors are the general economic environment and declining numbers of high school graduates. In addition, changes in state and local policies regarding advanced degrees for teachers appear to be

contributing to an overall decline in graduate enrollment.

- In fiscal year 2010/11, the State Employees' Retirement System (SERS) instituted steep increases in employer pension contribution rates that are anticipated to continue through fiscal year 2013/14 and remain high for the foreseeable future. SERS rates rose 30.5% in fiscal year 2010/11, 70% in 2011/12, and are anticipated to increase 52% in 2012/13; a similar pattern is occurring with the Public School Employees' Retirement System (PSERS). On November 23, 2010, the Governor signed into law pension reform legislation (Act 120 of 2010) that mandates changes in retirement benefits to most new members of both SERS and PSERS, effective July 1, 2011. Approximately 50% of PASSHE's employees receiving retirement benefits are enrolled in SERS or PSERS.
- In August 2011, GASB issued a Pension Exposure Draft that would require PASSHE to report on its balance sheet a net pension liability for SERS and PSERS, which would represent the difference between its share of the total SERS and PSERS pension liabilities and the net assets set aside in a qualified trust to pay the benefits to current employees, retirees, and their beneficiaries. Although an estimate of the liability has not been calculated by SERS or PSERS, the effect on PASSHE is expected to be significant.
 - At December 31, 2010, SERS had funded only 75.2% of its actuarial pension liability, leaving \$9.7 billion unfunded. The \$9.7 billion is debt already incurred by the Commonwealth, and it is an obligation that cannot be eliminated by reducing future benefits. The 2010 employer contributions were only 31.4% of the actuarially calculated Annual Required Contribution. The number of new retirees added to the SERS rolls in 2010 was more than 50% higher than those removed from the rolls, with the annual benefit for the new retirees approximately 100% higher than the benefit received by those being removed from the rolls. In 2010, PASSHE's employees represented 4.92% of active SERS members.
 - At June 30, 2010, PSERS had funded only 79.2% of its actuarial pension liability, leaving \$15.7 billion unfunded. The fiscal year 2009/10 employer contributions were only 27.0% of the actuarially

calculated Annual Required Contribution. In its June 30, 2010, financial statements, PSERS reported that "the current funding issue confronting PSERS represents the greatest challenge the Agency has faced in its history." PASSHE's employees represent approximately 0.40% of reported member salaries covered under PSERS.

- PASSHE has eight collective bargaining agreements with seven employee unions. The compensation packages outlined in six of these agreements expired June 30, 2011. At this time, only one new contract has been ratified; future compensation requirements are unknown for approximately 60% of PASSHE's employees.
- As a result of a 2008 agreement between the American Federation of State, County and Municipal Employees (AFSCME) and the Commonwealth, PASSHE deferred payment of between 10% and 20% of the premium contributions due to the Pennsylvania Employees Benefit Trust Fund (PEBTF) in fiscal years 2008/09, 2009/10, and 2010/11. Since the agreement required make-up payments beginning July 1, 2011, through December 31, 2012, the Universities recorded the full expense in each of the three fiscal years. When the new contract with AFSCME was ratified in September 2011, however, a new contribution rate was calculated and it was agreed that PASSHE would not be responsible for any make-up payments owed from the prior fiscal years' deferrals. As a result of this agreement, the Universities will record revenue of \$15.8 million in fiscal year 2011/12 to reverse the expenses recorded in fiscal years 2008/09 (\$2.7 million), 2009/10 (\$8.6 million), and 2010/11 (\$4.5 million).
- PASSHE's accountability and performance funding systems, which have been in place since 2001, have been drivers for change to better serve students and the Commonwealth. 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 has created a culture of accountability throughout PASSHE. As such, it has served as a national model for accountability and institutional improvement. To enhance these successes, a review of the program has been conducted, resulting in improvements that ensure each University and the System as a whole continue to achieve desired outcomes. These

modifications center on improving student success, increasing access to PASSHE Universities, and ensuring stewardship of public resources. To achieve these principles, each institution will commit to ten performance indicators for the next five years. Five of the indicators will be the same for all Universities; the remaining five will vary by University, recognizing institutional differences. University performance will be measured based upon institutional improvement and national standards/goals or peer comparisons. These measures align with the requirements of Middle States Association, Commission on Higher Education, and with national accountability efforts such as the Voluntary System of Accountability (VSA), and the EdTrust/NASH Access to Success initiative. PASSHE is committed to funding its performance program at a level equal to 2.4% of the Educational and General (E&G) budget.

- In January 2011, the Keystone Initiative for Network Based Education and Research (KINBER), a historic collaboration comprising PASSHE, other Pennsylvania colleges and universities, research and health care organizations, and economic development entities, awarded \$118.5 million in contracts to Quanta Services, Inc., for design and implementation of the Pennsylvania Research and Education Network (PennREN). PennREN is a new high-speed broadband network that will greatly expand educational opportunities and health care services throughout the Commonwealth and will span more than 1,600 miles through at least 39 counties. The PennREN project is supported by a \$99.6 million federal stimulus grant and \$24 million in matching funds from Quanta. Construction of the network is scheduled to begin in 2011, with the first segments completed in early 2012 and the main network segments fully completed in early 2013. Once completed, PennREN will form interconnections among the vast majority of higher education institutions, provide new opportunities to partner with K-12 schools, increase access to national and federal research centers, and enhance the availability of telemedicine and the use of electronic medical records. Dr. John C. Cavanaugh, Chancellor of PASSHE, is Chair of the KINBER Board of Directors.
- PASSHE leadership is advocating a number of statutory changes to its original enabling legislation, which was adopted more than 27 years ago and has not been updated since. Known as the Higher Education Modernization Act, this legislation would enhance economic development opportunities for PASSHE Universities, faculty, and students by allowing employees and students to participate in entrepreneurial activity related to marketable intellectual property and services developed by faculty. It would also clarify the law that governs the ability of University employees to raise funds for affiliated organizations. In addition, it would enable all PASSHE Universities to offer applied doctorates (under current law, only Indiana University can offer doctorates) and retain the sole right of Indiana University to offer PhDs. Finally, the Act would repeal outdated statutes governing faculty hiring and related matters. Under separate legislation, PASSHE is requesting permission to join nonprofit, interstate, multiuniversity procurement consortia that could produce significant savings. The legislation has been introduced in both the Pennsylvania House and Senate and is expected to receive committee consideration from both chambers this fall.
- For further information about these financial statements, please contact the Pennsylvania State System of Higher Education, Accounting Office, 2986 North Second Street, Harrisburg, PA 17110.

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Pennsylvania State System of Higher Education

Balance Sheet
(dollars in thousands)

Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current Assets		
Cash and cash equivalents	\$ 18,353	\$ 8,912
Short-term investments	406,953	393,210
Accounts receivable, net of allowance for doubtful accounts of \$20,611 in 2011 and \$19,121 in 2010	111,120	91,005
Inventories	3,798	3,833
Prepaid expenses	8,755	8,452
Current portion of loans receivable	5,312	5,483
Due from component units	8,055	8,944
Other current assets	14,957	2,767
Total Current Assets	<u>577,303</u>	<u>522,606</u>
Noncurrent Assets		
Restricted cash and cash equivalents	3,812	3,091
Endowment investments	26,935	23,601
Other long-term investments	743,827	697,462
Due from component units	10,549	9,057
Loans receivable, net of allowance for doubtful accounts of \$4,978 in 2011 and \$5,049 in 2010	30,848	32,921
Capital Assets:		
Land	26,304	24,770
Buildings, including improvements	1,687,780	1,553,171
Improvements other than buildings	223,831	211,245
Equipment and furnishings	388,202	366,450
Library books	83,810	83,848
Construction in progress	175,278	159,881
	<u>2,585,205</u>	<u>2,399,365</u>
Less accumulated depreciation	<u>(1,033,267)</u>	<u>(934,565)</u>
Capital assets, net	1,551,938	1,464,800
Other noncurrent assets	6,778	6,419
Total Noncurrent Assets	<u>2,374,687</u>	<u>2,237,351</u>
Total Assets	<u>\$ 2,951,990</u>	<u>\$ 2,759,957</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, 2011</u>	<u>June 30, 2010</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 192,694	\$ 197,088
Deferred revenue	53,044	51,441
Deposits	17,388	9,854
Current portion of workers' compensation liability	4,895	4,743
Current portion of compensated absences liability	10,269	10,201
Current portion of postretirement benefits liability	52,604	48,545
Current portion of capitalized lease obligations	3,441	3,138
Current portion of bonds payable	41,260	39,975
Other current liabilities	34,959	40,010
Total Current Liabilities	<u>410,554</u>	<u>404,995</u>
Noncurrent Liabilities		
Deferred revenue	5,075	2,946
Deposits	2,351	252
Workers' compensation liability	14,090	11,741
Compensated absences liability	91,559	93,841
Postretirement benefits liability	738,848	674,029
Capitalized lease obligations	42,995	44,366
Bonds payable	844,030	785,375
Other noncurrent liabilities	61,375	55,186
Total Noncurrent Liabilities	<u>1,800,323</u>	<u>1,667,736</u>
Total Liabilities	<u>2,210,877</u>	<u>2,072,731</u>
Net Assets		
Invested in capital assets, net of related debt	601,613	615,939
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	24,059	21,369
Other	1,365	1,530
Expendable:		
Scholarships and fellowships	13,013	10,992
Research	1,685	1,691
Student loans	416	393
Capital projects	27,847	26,642
Other	8,116	5,315
Unrestricted	62,999	3,355
Total Net Assets	<u>741,113</u>	<u>687,226</u>
Total Liabilities and Net Assets	<u>\$ 2,951,990</u>	<u>\$ 2,759,957</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, 2011 and 2010

(dollars in thousands)

	2011	2010
Operating Revenues		
Tuition and fees	\$ 933,153	\$ 866,663
Less scholarship discounts and allowances	(209,663)	(199,297)
Net tuition and fees	\$ 723,490	\$ 667,366
Governmental grants and contracts:		
Federal	202,754	181,809
State	101,036	107,811
Local	3,324	3,310
Nongovernmental grants and contracts	8,140	8,723
Sales and services	30,699	20,195
Auxiliary enterprises, net of discounts of \$498 in 2011 and \$762 in 2010	319,005	294,239
Other revenues	10,173	17,071
Total Operating Revenues	1,398,621	1,300,524
Operating Expenses		
Instruction	696,677	664,179
Research	7,072	7,055
Public service	35,603	36,354
Academic support	159,010	164,777
Student services	164,644	155,133
Institutional support	249,552	246,209
Operations and maintenance of plant	140,311	140,245
Depreciation	108,172	105,733
Student aid	79,580	76,944
Auxiliary enterprises	231,147	220,244
Total Operating Expenses	1,871,768	1,816,873
Operating Loss	(473,147)	(516,349)
Nonoperating Revenues (Expenses)		
State appropriations, general and restricted	465,197	465,197
ARRA State Fiscal Stabilization Funds	38,158	65,226
Investment income, net of related investment expense of \$475 in 2011 and \$433 in 2010	23,966	27,883
Unrealized gain on investments	6,092	15,917
Gifts for other than capital purposes	17,259	11,818
Interest expense on capital asset-related debt	(36,372)	(34,977)
Loss on disposal of assets	(601)	(7,312)
Other nonoperating revenue	1,417	1,509
Net Nonoperating Revenues	515,116	545,261
Income before other revenues	41,969	28,912
State appropriations, capital	1,337	2,358
Capital gifts and grants	10,581	12,732
Increase in Net Assets	53,887	44,002
Net assets—beginning of year	687,226	643,224
Net assets—end of year	\$ 741,113	\$ 687,226

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010
(dollars in thousands)

	2011	2010
Cash Flows from Operating Activities		
Tuition and fees	\$ 720,409	\$ 660,654
Grants and contracts	307,090	290,128
Payments to suppliers for goods and services	(422,047)	(374,001)
Payments to employees	(1,206,122)	(1,158,903)
Loans issued to students	(4,273)	(4,427)
Loans collected from students	6,253	5,522
Student aid	(79,800)	(77,295)
Auxiliary enterprise charges	320,502	292,457
Sales and services	25,958	19,853
Other receipts	10,583	22,788
Net cash used in operating activities	(321,447)	(323,224)
Cash Flows from Noncapital Financing Activities		
State appropriations, including Federal ARRA	503,355	530,423
Gifts for other than capital purposes	16,969	11,618
PLUS, Stafford, and other loans receipts (non-Perkins)	822,304	711,558
PLUS, Stafford, and other loans disbursements (non-Perkins)	(822,368)	(711,672)
Agency transactions, net	(10,243)	(1,640)
Other	1,419	1,509
Net cash provided by noncapital financing activities	511,436	541,796
Cash Flows from Capital Financing Activities		
Proceeds from capital debt and leases	149,424	176,536
Capital appropriations	564	1,784
Capital grants and gifts received	9,954	12,000
Proceeds from sales of capital assets	190	35
Purchases of capital assets	(187,033)	(227,339)
Principal paid on capital debt and leases	(78,820)	(88,875)
Interest paid on capital debt and leases	(41,023)	(37,033)
Net cash used in capital financing activities	(146,744)	(162,892)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	24,201,114	24,756,520
Interest on investments	24,860	28,484
Purchase of investments	(24,259,057)	(24,841,665)
Net cash used in investing activities	(33,083)	(56,661)
Net Increase (Decrease) in Cash and Cash Equivalents	10,162	(981)
Cash and cash equivalents—beginning of year	12,003	12,984
Cash and cash equivalents—end of year	\$ 22,165	\$ 12,003

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Statement of Cash Flows
 For the Years Ended June 30, 2011 and 2010
 (dollars in thousands)

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (473,147)	\$ (516,349)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	108,172	105,733
Expenses paid by Commonwealth or donor	570	655
Changes in assets and liabilities:		
Receivables, net	(11,206)	(16,035)
Inventories	34	163
Other assets	(12,792)	(4,084)
Accounts payable	(8,141)	36,191
Deferred revenue	2,733	(572)
Student deposits	(1,066)	(1,095)
Compensated absences	(2,214)	4,444
Loans to students and employees	1,979	1,095
Other liabilities	73,631	66,630
Net cash used in operating activities	<u>\$ (321,447)</u>	<u>\$ (323,224)</u>
Noncash Transactions		
Equipment	\$ 8,653	\$ 3,114
Capital lease	\$ 2,282	\$ 7,429

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education
Component Units Statement of Financial Position
(dollars in thousands)

	June 30, 2011	June 30, 2010
Assets		
Cash and cash equivalents	\$ 140,014	\$ 101,886
Accounts receivable	6,302	6,065
Contributions/pledges receivable	20,815	20,352
Due from Universities	40,020	40,585
Inventories	8,307	9,636
Short-term investments	42,706	75,712
Investments	285,032	227,596
Capital assets:		
Land	22,983	18,662
Buildings	769,023	747,543
Building improvements	14,665	13,867
Improvements other than buildings	7,640	7,519
Equipment and furnishings	56,772	53,727
Construction in progress	101,673	40,265
	972,756	881,583
Less accumulated depreciation	(128,675)	(103,021)
Capital assets, net	844,081	778,562
Other assets	81,751	79,484
Total Assets	\$ 1,469,028	\$ 1,339,878
Liabilities		
Accounts payable and accrued expenses	\$ 39,872	\$ 25,605
Annuity liabilities	8,711	8,334
Due to Universities	26,493	27,296
Deposits payable	13,632	11,231
Capitalized leases	17,732	18,784
Bonds payable	755,719	676,627
Notes payable	251,799	254,476
Other liabilities	67,499	77,280
Total Liabilities	1,181,457	1,099,633
Net Assets		
Unrestricted	25,637	17,859
Temporarily restricted	74,917	60,930
Permanently restricted	187,017	161,456
Total Net Assets	287,571	240,245
Total Liabilities and Net Assets	\$ 1,469,028	\$ 1,339,878

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Component Units Statement of Activities
For the Years Ended June 30, 2011 and 2010

(dollars in thousands)

	2011	2010
Revenues and Gains		
Contributions	\$ 37,226	\$ 39,644
Sales and services	52,684	52,809
Student fees	32,993	27,946
Grants and contracts	13,528	13,507
Rental income	96,711	89,871
Investment income	11,230	12,184
Unrealized gain on investments	35,130	554
Other revenues and gains	17,447	3,009
Total Revenues and Gains	296,949	239,524
Expenses and Losses		
Program services:		
Scholarships and grants	10,755	10,828
Student activities and programs	27,877	25,365
University stores	35,639	36,626
Housing	97,871	91,927
Other University support	17,514	17,541
Other programs	27,255	19,239
Management and general	23,393	25,111
Fundraising	9,319	7,989
Total Expenses and Losses	249,623	234,626
Change in Net Assets	47,326	4,898
Net assets—beginning of year	240,245	235,347
Net assets—end of year	\$ 287,571	\$ 240,245

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2011 and 2010

(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.

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, 2011.

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 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 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. 57 and 59 have no effect on its balance sheet or statement of revenues, expenses, and changes in net assets. In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement No. 60 establishes guidance for accounting and financial reporting for service concession arrangements, which are a type of public-private or public-public partnership. PASSHE is required to adopt Statement No. 60 for the fiscal year ending June 30, 2013. In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. PASSHE is required to adopt Statement No. 61 for the fiscal year ending June 30, 2013. In June 2011, GASB issued Statement No.

63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 establishes standards for reporting what GASB defines as deferred outflows and inflows of resources, which they have distinguished from assets and liabilities, and net position, which currently is referred to as net assets. PASSHE is required to adopt Statement No. 63 for the fiscal year ending June 30, 2013. PASSHE has not yet determined the effect of Statements No. 60, 61, and 63 on its financial statements.

(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. 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

Moody's Rating: PASSHE uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate high quality obligations subject to very low credit risk; ratings that begin with A indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with Baa indicate medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and

3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of P-1 indicates that issuers have a superior ability to repay short-term debt obligations.

Modified Duration: PASSHE indicates interest rate risk, or the risk that changes in interest rates, will affect the fair value of an investment using *modified duration*. *Duration* is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. *Modified duration* takes into account changing interest rates. PASSHE maintains a portfolio duration target of 1.8 years with an upper limit of 2.2 years.

On June 30, 2011 and 2010, the carrying amount of PASSHE's demand and time deposits and certificates of deposit for all funds was \$22,188,000 and \$12,026,000, respectively, compared to bank balances of \$22,155,000 and \$14,340,000, respectively. The difference is caused primarily by items in transit. Of the bank balances, \$3,575,000 and \$3,154,000, 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; \$2,295,000 and \$648,000, respectively, were uninsured and uncollateralized; and \$16,285,000 and

\$10,538,000, 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, 2011 and 2010, follow.

PASSHE Pooled Deposits and Investments

June 30, 2011

(In thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
Deposits			
Demand and time deposits			\$100
Money market funds			2,086
Total deposits			2,186
Investments			
Repurchase agreements			7,406
Commercial paper	P1	0.07	312,882
U.S. government and agency obligations	Aaa	4.03	432,705
Asset-backed securities	Aaa	0.77	68,945
	P1	0.19	21,633
Collateralized mortgage obligations (CMOs)	Aaa	3.66	150,660
Corporate bonds and notes	Aaa	2.32	40,390
	Aa1	2.53	10,761
	Aa2	2.53	58,651
	Aa3	2.42	24,492
	A1	1.28	7,023
	A2	1.16	2,998
	Baa1	1.35	7,493
	Baa3	0.96	725
Total investments			1,146,764
Total deposits and investments			\$1,148,950

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			2,075
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			1,087,707
Total deposits and investments			\$1,089,782

Of the investments noted above at June 30, 2011 and 2010, \$28,826,000 and \$38,645,000, 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 local University deposits and investments on June 30, 2011 and 2010, follow.

University Local Deposits and Investments

June 30, 2011

(In thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
Deposits			
Demand and time deposits			\$19,979
Certificates of deposit			23
Total deposits			20,002
Investments			
U.S. government and agency obligations		1.96	666
Fixed-income mutual funds		3.39	3,950
Equity/balanced mutual funds			25,231
Common stock			1,081
Total investments			30,928
Total deposits and investments			\$50,930

University Local Deposits and Investments

June 30, 2010

(In thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	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

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

<i>(In thousands)</i>			
Investment	Currency	Fair Value	
		June 30, 2011	June 30, 2010
Deposit	British Pound	\$11	\$13
Deposit	Euro	1	4
Total		\$12	\$17

The Universities are beneficiaries of trust funds held by others with an approximate fair value of \$3,609,000 and \$3,090,000 on June 30, 2011 and 2010, 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 \$9,229,000 and \$8,555,000 for the years ended June 30, 2011 and 2010, respectively.

Capital assets on June 30, 2011 and 2010, included \$62,677,000 and \$59,999,000, 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.

<i>(In thousands)</i>		
	Operating Leases	Capital Leases
2012	\$5,136	\$11,452
2013	3,551	4,366
2014	2,692	4,267
2015	1,885	4,124
2016	322	3,930
Thereafter	567	30,535
Total minimum lease payments	\$14,153	58,674
Amount representing interest on capital leases		12,238
Present value of net minimum capital lease payments		\$46,436

Changes in the liability for capital leases in fiscal years 2011 and 2010 follow.

<i>(In thousands)</i>				
Year	Beginning Balance	Capital Lease Additions	Capital Lease Payments	Ending Balance
2010	\$43,509	\$7,336	\$3,341	\$47,504
2011	\$47,504	\$2,282	\$3,350	\$46,436

(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. Contribution rates for active members are 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 2.82% of annual covered payroll at June 30, 2011. PASSHE's contributions to PSERS for the years ended June 30, 2011, 2010, and 2009, were \$1,481,000, \$948,000, and \$852,000, 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. Contribution rates for active members are either 5.0%, 6.25%, or 9.3% of their qualifying compensation. PASSHE contributed at an actuarially determined rate of either 3.29% or 4.11% of an active member's annual covered payroll at June 30, 2011. PASSHE's contributions to SERS for the years ended June 30, 2011, 2010, and 2009, were \$13,032,000, \$10,182,000, and \$9,770,000, 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, 2011 and 2010, was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2011 and 2010, were \$42,851,000 and \$41,295,000, respectively, from PASSHE, and \$23,139,000 and \$21,923,000, 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 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 the 14 PASSHE 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 \$37,245,000 and \$31,830,000 for the fiscal years ending June 30, 2011 and 2010, 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, 2011, the maximum rate being contributed by plan members was 15% of assessed cost. Total contributions made by plan members were \$2,762,000 and \$2,080,000, or approximately 6.9% and 6.1% of the total premiums, for the fiscal years ending June 30, 2011 and 2010, 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 (ARC) of the employer, 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	\$109,339
Interest on net OPEB obligation	32,516
Adjustment to annual required contribution	(35,732)
Annual OPEB cost (expense)	106,123
Contributions made	(37,245)
Increase in net OPEB obligation	68,878
Net OPEB obligation at July 1, 2010	722,574
Net OPEB obligation at June 30, 2011	\$791,452

PASSHE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2011, and the two preceding years were as follows.

<i>(In thousands)</i>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$85,450	51.3%	\$662,633
June 30, 2010	\$91,771	34.7%	\$722,574
June 30, 2011	\$106,123	35.1%	\$791,452

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the most recent actuarial valuation date, was as follows.

<i>(In thousands)</i>	
Actuarial accrued liability (AAL)	\$1,315,116
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$1,315,116
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$554,213
UAAL as a percentage of covered payroll	237%

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, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% 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 5.0% by 2025. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2010, was 25 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 2010/11, PASSHE contributed \$200.00 for each current active employee per biweekly pay period. PASSHE made contributions of \$20,069,000, \$25,318,000, and \$26,131,000 for the fiscal years ending June 30, 2011, 2010, and 2009, respectively, equal to 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 \$1,365,000 and \$1,621,000 to the Reserve Fund during the years ended June 30, 2011 and 2010, respectively.

For the years ended June 30, 2011 and 2010, the aggregate liability for claims under the self-insurance limit was \$10,852,000 and \$9,270,000, respectively. The Reserve Fund assets of \$8,134,000 and \$7,214,000 are equal to the liability for claims in excess of the self-insurance limits for the years ended June 30, 2011 and 2010, respectively. Changes in the workers' compensation claims liability in fiscal years 2011 and 2010 follow.

(In thousands)

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2010	\$15,824	\$6,048	\$5,388	\$16,484
2011	\$16,484	\$6,791	\$4,290	\$18,985

(7) COMPENSATED ABSENCES

Changes in the compensated absences liability in fiscal years 2011 and 2010 are as follows.

(In thousands)

Year	Beginning Balance	Current Changes in Estimates	Less Payouts	Ending Balance
2010	\$99,598	\$11,733	\$7,289	\$104,042
2011	\$104,042	\$9,812	\$12,026	\$101,828

(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, qualified for a cash incentive payout, which was between \$6,000 and \$30,000, depending on base salary and years of service. Between July 1 and August 27, 2010, 41 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, 2011, PASSHE recorded an expense of \$676,000 for the cash incentive and \$49,000 for associated Social Security and Medicare taxes, for a total expense of \$725,000. Prior to July 1, 2010, 209 employees had accepted the offer, and a total expense of \$3,602,000 was recorded for the year ended June 30, 2010; bringing the cumulative total for the duration of the program to 250 employees with an expense of \$4,327,000. 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 also approved a Severance for Abolished Positions Program for both union and nonrepresented active, full-time, permanent employees whose positions were abolished (or subject to furlough or seniority bump) on or before September 30, 2010. Eligible employees who signed a release and settlement agreement relinquishing seniority bump, recall, and placement rights received 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. Between July 1 and September 30, 2010, 16 PASSHE employees were

notified that their positions were abolished and were offered the severance package. For the year ended June 30, 2011, PASSHE recorded an expense of \$206,000 for the lump sum cash payouts and \$14,000 for associated Social Security and Medicare taxes, for a total expense of \$220,000. Prior to July 1, seven employees had accepted the offer, and a total expense of \$119,000 was recorded for the year ended June 30, 2010; bringing the cumulative total for the duration of the program to 23 employees with an expense of \$339,000. 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, 2011 and 2010, 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, 2011 and 2010, was as follows.

Description	Original Issuance	Weighted Average Interest Rate	Balance June 30, 2009	2010 Bonds Issued	2010 Bonds Redeemed/ Refunded	Balance June 30, 2010	2011 Bonds Issued	2011 Bonds Redeemed/ Refunded	Balance June 30, 2011
Series R issued in June 1999, final maturity June 2024	\$31,050	4.90%	\$18,595	-	\$18,595	-	-	-	-
Series S issued in June 2000, final maturity June 2020	51,720	5.49%	28,595	-	28,595	-	-	-	-
Series T issued in July 2001, final maturity June 2021	69,555	4.86%	36,570	-	2,785	\$33,785	-	\$33,785	-
Series U issued in August 2002, final maturity June 2022	14,400	4.43%	9,455	-	675	8,780	-	690	\$8,090
Series W issued in October 2002, final maturity June 2020	69,105	4.76%	62,755	-	960	61,795	-	865	60,930
Series X issued in May 2003, final maturity June 2023	80,910	4.28%	43,270	-	6,950	36,320	-	4,850	31,470
Series Z issued in March 2004, final maturity June 2024	71,760	3.95%	52,195	-	4,460	47,735	-	4,630	43,105
Series AA issued in July 2004, final maturity June 2024	28,750	4.62%	22,085	-	1,490	20,595	-	1,540	19,055
Series AC issued in July 2005, final maturity June 2025	52,650	4.90%	43,960	-	2,415	41,545	-	2,425	39,120
Series AE issued in July 2006, final maturity June 2036	103,290	4.99%	94,105	-	3,310	90,795	-	3,480	87,315
Series AF issued in July 2007, final maturity June 2037	68,230	4.95%	64,640	-	1,860	62,780	-	1,935	60,845
Series AG issued in March 2008, final maturity June 2024	101,335	4.60%	95,075	-	4,245	90,830	-	4,390	86,440
Series AH issued in July 2008, final maturity June 2038	140,760	4.69%	137,780	-	3,420	134,360	-	3,860	130,500
Series AI issued in August 2008, final maturity June 2025	32,115	4.01%	30,600	-	1,820	28,780	-	1,880	26,900
Series AJ issued in July 2009, final maturity June 2039	123,985	4.90%	-	\$123,985	2,825	121,160	-	3,415	117,745
Series AK issued in September 2009, final maturity June 2024	47,310	3.66%	-	47,310	1,220	46,090	-	3,080	43,010
Series AL issued in July 2010, final maturity June 2035	135,410	5.00%	-	-	-	-	\$135,410	4,645	130,765

Total	\$1,222,335	-	\$739,680	\$171,295	\$85,625	\$825,350	\$135,410	\$75,470	\$885,290
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Principal and interest requirements to maturity are as follows.

<i>(In thousands)</i>			
	Principal	Interest	Total
2012	\$41,260	\$41,569	\$82,829
2013	43,185	39,773	82,958
2014	49,710	37,850	87,560
2015	56,215	35,633	91,848
2016	56,650	32,988	89,638
2017-2021	290,105	123,482	413,587
2022-2026	207,960	60,402	268,362
2027-2031	88,725	23,999	112,724
2032-2036	46,145	7,166	53,311
2037-2039	5,335	362	5,697
Total	\$885,290	\$403,224	\$1,288,514

(10) DEBT REFUNDINGS

In July 2010, the net proceeds from the Series AL revenue bonds were used to finance various capital projects at the Universities and to advance refund the Series T revenue bonds. This refunding was performed to reduce 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.

(11) CAPITAL ASSETS

The classifications of capital assets and related depreciation at June 30, 2011 and 2010, follow.

<i>(In thousands)</i>							
	Balance June 30, 2009	2010 Additions	2010 Retirements/ Adjustments	Balance June 30, 2010	2011 Additions	2011 Retirements/ Adjustments	Balance June 30, 2011
Land	\$22,807	\$946	\$1,017	\$24,770	\$876	\$658	\$26,304
Construction in progress	127,016	139,852	(106,987)	159,881	111,842	(96,445)	175,278
Total capital assets not being depreciated	149,823	140,798	(105,970)	184,651	112,718	(95,787)	201,582
Buildings, including improvements	1,416,840	59,323	77,008	1,553,171	57,913	76,696	1,687,780
Improvements other than buildings	193,074	8,957	9,214	211,245	2,895	9,691	223,831
Equipment and furnishings	347,486	23,582	(4,618)	366,450	20,843	909	388,202
Library books	83,529	2,177	(1,858)	83,848	1,784	(1,822)	83,810
Total capital assets being depreciated	2,040,929	94,039	79,746	2,214,714	83,435	85,474	2,383,623
Less accumulated depreciation							
Buildings and improvements	(453,439)	(61,924)	13,311	(502,052)	(66,642)	368	(568,326)
Land improvements	(82,395)	(9,150)	5,210	(86,335)	(8,943)	(38)	(95,316)
Equipment and furnishings	(241,647)	(31,975)	(1,912)	(275,534)	(30,083)	7,337	(298,280)
Library books	(69,805)	(2,684)	1,845	(70,644)	(2,503)	1,802	(71,345)
Total accumulated depreciation	(847,286)	(105,733)	18,454	(934,565)	(108,171)	9,469	(1,033,267)
Total capital assets being depreciated, net	1,193,643	(11,694)	98,200	1,280,149	(24,736)	94,943	1,350,356
Capital assets, net	\$1,343,466	\$129,104	(\$7,770)	\$1,464,800	\$87,982	(\$844)	\$1,551,938

(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 2011, PHEFA issued Series AM tax-exempt revenue bonds in the amount of \$119,085,000. The net proceeds were used to finance various capital projects at the Universities. 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, 2011 and 2010

(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, 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%
July 1, 2010	\$0	\$1,315,116	\$1,315,116	0%	\$554,213	237%

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, 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%
July 1, 2010	\$56,320	\$13,674,250	\$13,617,930	.41%	\$3,786,000	360%

Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

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 Grants	84.007	\$ 3,748,393
Federal Family Education Loans	84.032	80,759
Federal Work-Study Program	84.033	5,188,739
Perkins Loan Cancellations	84.037	1,836,248
Federal Perkins Loan - Federal Capital Contributions	84.038	41,244,843
Federal Pell Grant Program	84.063	148,047,516
Federal Direct Student Loans	84.268	695,250,589
Academic Competitiveness Grants	84.375	6,978,750
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	2,494,303
Teacher Education Assistance for College and Higher Education Grants	84.379	630,250
Federal Nursing Loans	93.364	<u>328,914</u>
Total student financial assistance cluster		905,829,304
TRIO Cluster		5,267,933
<u>Other</u>		
Pass-Through PA Department of Education:		
State Fiscal Stabilization Fund (SFSF) - Education Grants - ARRA	84.394	38,158,000
Total research and development cluster		3,158,537
Total other federal awards		<u>25,410,069</u>
Total expenditures of federal awards		<u>\$ 977,823,843</u>

Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania

Schedule of Expenditures of Federal Awards

TRIO Cluster

For The Year Ended June 30, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Education</u>				
TRIO - Student Support Services	P042A050384-09	84.042A	East Stroudsburg	\$ 3,245
TRIO - Student Support Services	P042A100594-01	84.042A	East Stroudsburg	195,562
TRIO - Student Support Services	P042A051078-09	84.042A	Kutztown	12,782
TRIO - Student Support Services	P042A101003	84.042A	Kutztown	238,470
TRIO - Student Support Services	P042A050799-05	84.042A	Bloomsburg	400
TRIO - Student Support Services	P042A050799-06	84.042A	Bloomsburg	2
TRIO - Student Support Services	P042A050799-05	84.042A	Bloomsburg	5,751
TRIO - Student Support Services	P042A050799-09	84.042A	Bloomsburg	8,512
TRIO - Student Support Services	P042A050799-06	84.042A	Bloomsburg	100
TRIO - Student Support Services	P042A101265	84.042A	Bloomsburg	27,800
TRIO - Student Support Services	P042A101265	84.042A	Bloomsburg	240,939
TRIO - Student Support Services	P042A080820	84.042A	Lock Haven	281,105
TRIO - Student Support Services	7033001011	84.042	Slippery Rock	69,178
TRIO - Student Support Services	P042A100378	84.042A	West Chester	270,803
TRIO - Student Support Services	P042A100147	84.042A	California	277,311
TRIO - Student Support Services	P042A060210-09	84.042A	California	21,242
TRIO - Student Support Services	P042A100469-10	84.042	Clarion	305,682
TRIO - Student Support Services	P042A050735 & P042A100342	84.042	Mansfield	<u>194,571</u>
Total TRIO - Student Support Services				<u>2,153,455</u>
TRIO - Talent Search	P044A070045-10	84.044	Clarion	<u>403,562</u>
TRIO - Upward Bound	P047A080324-09	84.047A	Bloomsburg	137,936
TRIO - Upward Bound	P047A080324-10	84.047A	Bloomsburg	279,057
TRIO - Upward Bound	P047A080038-09	84.047A	East Stroudsburg	373,228
TRIO - Upward Bound	P047A080038-09	84.047A	East Stroudsburg	32
TRIO - Upward Bound	P047M080203	84.047M	Kutztown	71,428
TRIO - Upward Bound	P047A090757	84.047A	Kutztown	79,485
TRIO - Upward Bound	P047A080305-09	84.047A	California	94,239
TRIO - Upward Bound	P047A080305-10	84.047A	California	299,037
TRIO - Upward Bound	P047A080448-10	84.047A	California	187,132
TRIO - Upward Bound	P047A080448-09	84.047	California	69,542
TRIO - Upward Bound	P047A070541-10	84.047	Clarion	412,063
TRIO - Upward Bound	P047A080787	84.047A	Lock Haven	235,221
TRIO - Upward Bound	P047M070334	84.047M	Indiana	<u>261,231</u>
Total TRIO - Upward Bound				<u>2,499,631</u>
TRIO - McNair Post-Baccalaureate Achievement	P217A070107	84.217A	Indiana	<u>211,285</u>
Total TRIO Cluster				<u>5,267,933</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Agricultural Research - Basic and Applied Research	59-1935-9-967	10.001	Cheyney	\$ 96,664
Grants for Agricultural Research, Special Research Grants Pass-Through National Park Service:	2010-38888-21748	10.200	Cheyney	236,490
Grants for Agricultural Research, Special Research Grants	6532100308	10.200B	Shippensburg	7,128
Total Grants for Agricultural Research, Special Research Grants				<u>243,618</u>
Pass-Through Home Nursing Agency, Inc., Special Supplemental Nutrition Program for Women, Infants, and Children	IUP-C-0506-631	10.557	Indiana	534
Pass-Through PA Department of Health, WIC Grants to States (WGS)	IUP-C-0607-652	10.578	Indiana	15,294
Pass-Through IUP Research Institute: National Fish and Wildlife Foundation	495A	10.683	Indiana	8,944
Recovery Act of 2009: Wildland Fire Management - ARRA	10-DG-11244419-041	10.688	Indiana	16,956
Total U.S. Department of Agriculture				<u>382,010</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Virginia Polytechnic Institute and State University: Sea Grant Support	6532100408	11.417	Shippensburg	14,004
Pass-Through Ohio State University: Sea Grant Support	NA060AR4170020	11.417	Kutztown	1,245
Total Sea Grant Support				<u>15,249</u>
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	NA10NMF4270215	11.427	West Chester	35,063
Total U.S. Department of Commerce				<u>50,312</u>
<u>U.S. Department of the Interior</u>				
Pass-Through National Park Service: Louisiana Waterbrush Monitoring Protocol for USDA	H4506080729	15.AAN	East Stroudsburg	21,673
Mammal Inventory of the Upper Delaware River	H4560040069	15.AAN	East Stroudsburg	227
White-Nose Syndrome in Bats of the Upper Delaware River	H4560040069-TA003	15.AAN	East Stroudsburg	1,248
Auditory Bat Transect Surveys of the Upper Delaware River	DEWA-201-Sci-0010	15.AAN	East Stroudsburg	1,952
Total National Park Service				<u>25,100</u>
Assistance to State Water Resources Research Institutes Pass-Through IUP Research Institute, U.S. Geological Survey - Research and Data Collection	6532102811	15.805	Shippensburg	725
Pass-Through Department of Conservation and Natural Resources, National Spatial Data Infrastructure Cooperative Agreements Program	08WRAG0018	15.808	Indiana	(73)
Pass-Through IUP Research Institute, Migratory Bird Joint Ventures	G09AC00181	15.809	Bloomsburg	29,243
Migratory Bird Joint Ventures	MBNA-0101	15.637	Indiana	4,085
Total U.S. Department of the Interior				<u>59,080</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>National Aeronautics and Space Administration</u>				
FY10 Earmark RFP- Marine Science Consortium Research Collaborative Pass-Through Lehigh University,	NNX10AJ10A	43.AAAA	East Stroudsburg	\$ 178,482
Mid-Atlantic Partnership for NASA Nanomaterials Pass-Through The Pennsylvania State University:	NNX09AT33A	43.000	Kutztown	10,270
The Pennsylvania Space Grant Consortium	4057-WCU-NASA-F84H	43.000	West Chester	1,436
The Pennsylvania Space Grant Consortium	4179-WCU-NASA-K74H	43.000	West Chester	<u>5,873</u>
Total Space Grant Consortium				<u>17,579</u>
Science	NNX08AL81G	43.001	Bloomsburg	24,745
Science	NNH10ZDA001N	43.001	Bloomsburg	11,657
Science	NNX08AO69G	43.001	West Chester	16,470
Science	NNX11AG23G	43.001	Millersville	28,850
Pass-Through Smithsonian Astrophysical Observatory:				
Science	GO8-9014X	43.001	West Chester	60,045
Science	10200787	43.001	West Chester	<u>25,263</u>
Total Science				<u>167,030</u>
Total National Aeronautics and Space Administration				<u>363,091</u>
<u>National Science Foundation</u>				
Mathematical and Physical Sciences Pass-Through Trustees of the University of Pennsylvania,	PHY-0970012	47.049	Kutztown	51,428
Mathematical and Physical Sciences	00001883	47.049	West Chester	<u>20,726</u>
Total Mathematical and Physical Sciences				<u>72,154</u>
Geosciences	EAR-0819812	47.050	West Chester	16,007
Geosciences	EAR-1037709	47.050	Millersville	34,420
Geosciences	OCE-1030430	47.050	Kutztown	1,860
Pass - Through Joint Oceanographic Institutions,				
Geosciences	JSA-62.410	47.050	Indiana	1,679
Geosciences	EAR-07389534	47.050	Indiana	14,716
Pass-Through University Corporation for Atmospheric Research,				
Geosciences	ATM-0833450	47.050	Millersville	11,000
Geosciences	GEO-1034925	47.050	West Chester	4,056
Pass-Through IUP Research Institute,				
Geosciences	JSA-66.410T321A66	47.050	Indiana	<u>16,575</u>
Total Geosciences				<u>100,313</u>
Computer and Information Science and Engineering	IIS-0932712	47.070	West Chester	79,283
Computer and Information Science and Engineering	IIS-0835411	47.070	Millersville	55,208
Computer and Information Science and Engineering	IIS-0968368	47.070	Millersville	41,228
Computer and Information Science and Engineering	IIS-1016900	47.070	Millersville	23,335
Computer and Information Science and Engineering	CNS-1054492	47.070	West Chester	<u>25,246</u>
Total Computer and Information Science and Engineering				<u>224,300</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through Pennsylvania State University, Biological Sciences - ARRA	EF-0914384	47.074	Millersville	\$ 48,153
Pass-Through Swarthmore College, Biological Sciences	IOS-0748508	47.074	Millersville	49,016
Biological Sciences	DBI-0649122	47.074	Millersville	23,861
Biological Sciences	DEB-1036505	47.074	Millersville	9,184
Biological Sciences	IOS-0640185	47.074	West Chester	3,439
Biological Sciences	6532100208	47.074	Shippensburg	<u>36,407</u>
Total Biological Sciences				<u>170,060</u>
Social, Behavioral, and Economic Sciences	7032001004	47.075	Slippery Rock	<u>1,236</u>
Education and Human Resources	DUE-0727177	47.076	Bloomsburg	14,568
Education and Human Resources	0603275	47.076	Indiana	3,079
Pass-Through CORD, Education and Human Resources	DUE-1003199	47.076	Indiana	9,394
Pass-Through IUP Research Institute, Education and Human Resources	DUE-0736836	47.076	Indiana	4,615
Education and Human Resources	EEC-0313747	47.076	Indiana	11,889
Education and Human Resources	EEC-0313747	47.076	Indiana	6,546
Education and Human Resources	DUE-0737266	47.076	West Chester	20,013
Education and Human Resources	6532102610	47.076	Shippensburg	43,353
Education and Human Resources	DUE-0837607	47.076	Kutztown	<u>56,945</u>
Total Education and Human Resources				<u>170,402</u>
Trans-NSF Recovery Act Research Support - ARRA Pass-Through Pennsylvania State University,	AST-0908098	47.082	Bloomsburg	32,453
Trans-NSF Recovery Act Research Support - ARRA	PFI 0917466	47.082	Millersville	25,814
Trans-NSF Recovery Act Research Support - ARRA	7032001005	47.082	Slippery Rock	<u>75,742</u>
Total Trans-NSF Recovery Act Research Support				<u>134,009</u>
Total National Science Foundation				<u>872,474</u>
<u>U.S. Department of Education</u>				
Fund for the Improvement of Postsecondary Education Pass-Through IUP Research Institute,	P116Z080270	84.116	Indiana	3,704
Fund for the Improvement of Postsecondary Education	P116Z090284	84.116Z	Indiana	<u>62,986</u>
Total Fund for the Improvement of Postsecondary Education				<u>66,690</u>
Pass-Through University of Delaware, National Institute on Disability and Rehabilitation Research	H133G080047	84.133	Millersville	22,452
Fund for the Improvement of Education	U215K090217	84.215	East Stroudsburg	<u>13,915</u>
Total U.S. Department of Education				<u>103,057</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Drug Abuse and Addiction Research Programs	1R03DA027960-01	93.279	Bloomsburg	\$ 27,441
Pass-Through National Institute of Health, Drug Abuse and Addiction Research Programs	1 R01 DA019690-01A2	93.279	Indiana	<u>30,449</u>
Total Drug Abuse and Addiction Research Programs				<u>57,890</u>
Research and Training in Complementary and Alternative Medicine	1 R15 AT003938-01	93.213	Bloomsburg	29,546
Mental Health Research Career/Scientist Development Awards	1K23MH082257-01A1	93.281	West Chester	130,367
Trans-NIH Recovery Act Research Support - ARRA	1R03DA026518-01	93.701	West Chester	19,357
Child Health and Human Development Extramural Research	1R15HD061796-01A1	93.865	West Chester	<u>70,656</u>
Total U.S. Department of Health and Human Services				<u>307,816</u>
<u>U.S. Department of Defense</u>				
Basic and Applied Scientific Research	N0014-06-1-046	12.300	Millersville	15,080
Basic and Applied Scientific Research	N00014-10-1-0569	12.300	Millersville	32,212
Pass-Through University of Virginia, Basic and Applied Scientific Research	08PR06821-00	12.300	West Chester	<u>157,928</u>
Total Basic and Applied Scientific Research				<u>205,220</u>
Information Security Grant Program	H98230-08-1-0207	12.902	East Stroudsburg	2,722
Information Security Grant Program	H98230-09-1-0207	12.902	East Stroudsburg	3,681
Information Security Grant Program	H98230-10-1-0409	12.902	East Stroudsburg	<u>138,271</u>
Total Information Security Grant Program				<u>144,654</u>
Mathematical Sciences Grants Program	H98230-11-1-0190	12.901	West Chester	13,506
Mathematical Sciences Grants Program	H98230-10-1-0216	12.901	Bloomsburg	<u>9,751</u>
Total Mathematical Sciences Grants Program				<u>23,257</u>
Pass-Through Penn State University, Military Medical Research and Development	W81WH-10-2-0019	12.420	Millersville	171,826
Pass-Through IUP Research Institute, Basic Scientific Research - ARRA	W911NF-09-1-0066	12.431	Indiana	<u>202,500</u>
Total U.S. Department of Defense				<u>747,457</u>
<u>U.S. Department of Justice</u>				
Pass-Through PA Commission on Crime and Delinquency, Edward Byrne Memorial Formula Grant Program	2001-DS-19-12069	16.579	Indiana	(7)
Public Safety Partnership and Community Policing Grants - ARRA	2009CKWX0594	16.710	Bloomsburg	41,116
Pass-Through IUP Research Institute, Congressionally Recommended Awards	2009-DI-BX-02007	16.753	Indiana	92,112
Recovery Act - Edward Bryne Memorial Competitive Grant Program - ARRA	2009-SC-B9-0022	16.808	Kutztown	82,688
National Institute of Justice Research, Evaluation, and Development Project Grants	2010-DD-BX-K039	16.560	East Stroudsburg	<u>55,203</u>
Total U.S. Department of Justice				<u>271,112</u>

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<u>Federal Grantor/Program or Cluster Title/ Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>University</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Energy</u>				
Pass-Through Tulane University, Office of Science Financial Assistance Program - ARRA	DE-FC02-06ER64298	81.049	West Chester	<u>\$ 2,487</u>
<u>Appalachian Regional Commission</u>				
Pass-Through East Tennessee State University, Appalachian Research, Technical Assistance, and Demonstration Projects	C0-12600-F-C4	23.011	Indiana	<u>(359)</u>
Total Research and Development Cluster				<u>\$ 3,158,537</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Plant and Animal Disease, Pest Control, and Animal Care	10-9642-1061CA	10.025	Mansfield	\$ 28,583
Child and Adult Care Food Program	6333100311	10.558	Shippensburg	24,102
Child and Adult Care Food Program	6533100310	10.558	Shippensburg	4,895
Total Child and Adult Care Food Program				<u>28,997</u>
Pass-Through PA Dept of Education:				
Summer Food Service Program for Children	AUN: 300191200	10.559	Bloomsburg	9,784
Summer Food Service Program for Children	AUN: 300191175	10.559	Bloomsburg	18,667
Summer Food Service Program for Children	4-01-63-095-0	10.559	California	12,623
Summer Food Service Program for Children	4-06-16-140-0	10.559	Clarion	3,322
Total Summer Food Service Program for Children				<u>44,396</u>
Pass-Through U.S. Forest Service, Forestry Research	N/A	10.652	Clarion	33,040
Total U.S. Department of Agriculture				<u>135,016</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Standards and Technology, Measurement and Engineering Research and Standards - ARRA	70NANB10H070	11.609	Millersville	2,713
<u>U.S. Department of Defense</u>				
Procurement Technical Assistance For Business Firms	SP4800-08-2-0834	12.002	California	18,056
Procurement Technical Assistance For Business Firms	SP4800-08-2-0834	12.002	California	125,854
Procurement Technical Assistance For Business Firms	SP4800-08-2-0835	12.002	Indiana	68,575
Procurement Technical Assistance For Business Firms	SP4800-085-2-0835	12.002	Indiana	112,181
Procurement Technical Assistance For Business Firms	SP4800-03-2-0318	12.002	Indiana	(877)
Pass-Through University of Pennsylvania PASBDC:				
Procurement Technical Assistance For Business Firms	SP4800-08-2-0836	12.002	Kutztown	4,831
Procurement Technical Assistance For Business Firms	SP4800-08-2-0836	12.002	Kutztown	67,042
Total Procurement Technical Assistance for Business Firms				<u>395,662</u>
Pass-Through IUP Research Institute:				
Scientific Research - Combating Weapons of Mass Destruction	600535/SP0700-00-D-3180/071100078	12.352	Indiana	1,976
Scientific Research - Combating Weapons of Mass Destruction	600733	12.352	Indiana	162,184
Scientific Research - Combating Weapons of Mass Destruction	US001-0000270793	12.352	Indiana	121,115
Total Scientific Research - Combating Weapons of Mass Destruction				<u>285,275</u>
Pass-Through IUP Research Institute, Congressionally Directed Assistance	W91WAN-09-D-0022	12.599	Indiana	1,227
Total U.S. Department of Defense				<u>682,164</u>
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through PA Dept of Health, Housing Opportunities for Persons with AIDS	4100048081	14.241	Clarion	147,820
<u>U.S. Department of the Interior</u>				
Pass-Through Pennsylvania Game Commission, State Wildlife Grants	4100049374	15.634	California	13,215
Pass Through Commonwealth of Pennsylvania Fish and Boat Commission, State Wildlife Grants	N/A	15.634	California	19,155
Total State Wildlife Grants				<u>32,370</u>
Pass-Through PA Dept of Environmental Protection, Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation				
	S10AC20025	15.255	Indiana	78,653
Pass-Through Montana State University, National Land Remote Sensing - Education Outreach and Research	08HQGR0157	15.815	California	27,266
Total U.S. Department of the Interior				<u>138,289</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Justice</u>				
Pass-Through IUP Research Institute, Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2009-WA-AX-0013	16.525	Indiana	\$ 47,608
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2009-WA-AX-0015	16.525	Lock Haven	106,429
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	7033001019	16.525	Slippery Rock	<u>80,837</u>
Total Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus				<u>234,874</u>
Pass-Through IUP Research Institute:				
Law Enforcement Assistance - FBI Field Police Training	A8A806151	16.302	Indiana	2
Law Enforcement Assistance - FBI Field Police Training	A9A903403	16.302	Indiana	18,010
Law Enforcement Assistance - FBI Field Police Training	A9A903404	16.302	Indiana	29,854
Law Enforcement Assistance - FBI Field Police Training	A1A103821	16.302	Indiana	3,444
Law Enforcement Assistance - FBI Field Police Training	A0A003387	16.302	Indiana	<u>17,511</u>
Total Law Enforcement Assistance - FBI Field Police Training				<u>68,821</u>
Pass-Through PA Commission on Crime and Delinquency:				
Juvenile Justice and Delinquency Prevention - Allocation to States	6533100609	16.540	Shippensburg	127,266
Juvenile Justice and Delinquency Prevention - Allocation to States	6533100611	16.540	Shippensburg	<u>152,602</u>
Total Juvenile Justice and Delinquency Prevention - Allocation to States				<u>279,868</u>
National Institute of Justice Research, Evaluation, and Development Project Grants	2008-DN-BX-K376	16.560	Edinboro	34,777
Pass-Through PA Commission on Crime and Delinquency, Edward Byrne Memorial Formula Grant Program	6533101610	16.579	Shippensburg	239,628
Pass-Through IUP Research Institute, Congressionally Recommended Awards	2009-DI-BX-02007	16.753	Indiana	<u>155,840</u>
Total U.S. Department of Justice				<u>1,013,808</u>
<u>U.S. Department of Labor</u>				
Pass-Through PA Bureau of Employment Services & Training, Trade Adjustment Assistance	TAA-0098-08-1 Addendum #9821	17.245	Indiana	36,857
Pass-Through PA Dept of Labor: Trade Adjustment Assistance	N/A	17.245	Mansfield	<u>6,270</u>
Total Trade Adjustment Assistance				<u>43,127</u>
Pass-Through North Central PA Regional Planning & Development Commission:				
Job Training Partnership Act	IND-WIA/RR-003-10	17.250	Indiana	3,891
Job Training Partnership Act	ARM-WIA/D-006-08	17.250	Indiana	723
Job Training Partnership Act	ARM-WIA/RR4004-11	17.250	Indiana	4,264
Job Training Partnership Act	WIA-005-08-4974	17.250	Indiana	3,999
Job Training Partnership Act	BUT-WIA-RR4-004-11	17.250	Indiana	<u>4,599</u>
Total Job Training Partnership Act				<u>17,476</u>
Pass-Trough Central Pennsylvania Workforce Development Corporation, WIA Adult Program - ARRA	BLOO01-RCEP-1122	17.258	Bloomsburg	4,967
Consultation Agreements	E9F6-0930	17.504	Indiana	1,030
Consultation Agreements	E9F6-0930	17.504	Indiana	(43)
Consultation Agreements	CS17718CS9	17.504	Indiana	(6,555)
Consultation Agreements	CS19393CS0	17.504	Indiana	430,460
Consultation Agreements	CS16688CS8	17.504	Indiana	39
Consultation Agreements	CS20931CS1	17.504	Indiana	<u>1,149,918</u>
Total Consultation Agreements				<u>1,574,849</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through Private Industry Council of Westmoreland/Fayette Incorporated:				
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	GJ-19942-10-60-A-42	17.275	California	\$ 26,295
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	GJ-19942-10-60-A-42	17.275	California	<u>80,000</u>
Total Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors				<u>106,295</u>
Total U.S. Department of Labor				<u>1,746,714</u>
<u>U.S. Department of Transportation</u>				
Pass-Through Delaware Valley Regional Planning Commission & PENNDOT, Highway Research and Development Program	PA09-65	20.200	West Chester	1,200,000
Pass-Through PA Department of Transportation: Highway Planning and Construction - ARRA	DTH61-99R-0035	20.205	Cheyney	10,940
Highway Planning and Construction - ARRA	6561000002	20.205	Shippensburg	<u>36,157</u>
Total Highway Planning and Construction - ARRA				<u>47,097</u>
State and Community Highway Safety	MOU-471072	20.600	Indiana	87,244
State and Community Highway Safety	MOU-471059	20.600	Indiana	<u>35,815</u>
Total State and Community Highway Safety				<u>123,059</u>
Pass-Through PA Department of Transportation: Assistance to Small and Disadvantaged Businesses	MOU-360605A	20.910	Indiana	(975)
Assistance to Small and Disadvantaged Businesses	MOU-360605A	20.910	Indiana	<u>(653)</u>
Total Assistance to Small and Disadvantaged Businesses				<u>(1,628)</u>
Total U.S. Department of Transportation				<u>1,368,528</u>
<u>National Aeronautics & Space Administration</u>				
Pass-Through Pennsylvania State University, PA Space Grant Consortium	NNX10AK74H	43.000	California	5,750
Science	NGT5-40064	43.001	Clarion	<u>14,587</u>
Total National Aeronautics & Space Administration				<u>20,337</u>
<u>National Endowment for the Arts</u>				
Promotion of the Arts - Grants to Organizations and Individuals	7033001017	45.024	Slippery Rock	1,333
Promotion of the Arts - Grants to Organizations and Individuals	10-3100-7204	45.024	West Chester	<u>10,000</u>
Total National Endowment for the Arts				<u>11,333</u>
<u>National Endowment for the Humanities</u>				
Pass-Through IUP Research Institute, Promotion of the Humanities - Division of Preservation and Access	PG-51094-11	45.149	Indiana	1,744
Promotion of the Humanities - Division of Preservation and Access	P6-50988-10	45.149	Millersville	<u>5,341</u>
Total Promotion of the Humanities - Division of Preservation and Access				<u>7,085</u>
Promotion of the Humanities - Public Programs	LI-50007-06	45.164	Edinboro	<u>152</u>
Total National Endowment for the Humanities				<u>7,237</u>
<u>Institute of Museum & Library Services</u>				
Pass-Through PA Department of Education, Grants to States	202-100061	45.310	Office of the Chancellor	20,000
Laura Bush 21st Century Librarian Program	RE-01-10-0011-10	45.313	Mansfield	109,797
Laura Bush 21st Century Librarian Program	RE-01-07-0107	45.313	Mansfield	<u>194,593</u>
Total Laura Bush 21st Century Librarian Program				<u>304,390</u>
Total Institute of Museum & Library Services				<u>324,390</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, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>National Science Foundation</u>				
Computer and Information Science and Engineering Pass-Through University of Minnesota, Biological Sciences	CNS-1042508 DEB-0444939	47.070 47.074	East Stroudsburg Clarion	\$ 4,407 12,221
Pass-Through Pennsylvania Science Technology Engineering Math Girls Collaborative, Education and Human Resources	HRD-0631789	47.076	California	4,450
Pass-Through Drexel University, Education and Human Resources	HRD-0903924	47.076	Cheyney	23,177
Education and Human Resources	HRD-056137	47.076	Cheyney	382,628
Education and Human Resources	HRD-0811628	47.076	Cheyney	424
Education and Human Resources	DUE-0966206	47.076	Indiana	122,436
Pass-Through Georgia State University, Education and Human Resources	DUE-0618678	47.076	Millersville	23,011
Education and Human Resources	DRL-0929639	47.076	Millersville	11,624
Education and Human Resources	DUE-0122954	47.076	Millersville	114,637
Education and Human Resources	DUE-0531960	47.076	Office of the Chancellor	194,954
Education and Human Resources	DUE-0603367	47.076	Office of the Chancellor	750
Pass-Through Hofstra University/Husky Research Corporation: Education and Human Resources	DRL-0821965	47.076	Bloomsburg	64,606
Education and Human Resources	DUE-0727177	47.076	Bloomsburg	66,581
Education and Human Resources	DUE-072406	47.076	Lock Haven	154,860
Education and Human Resources	0727732	47.076	Edinboro	81,480
Total Education and Human Resources				<u>1,245,618</u>
Total National Science Foundation				<u>1,262,246</u>
<u>U.S. Small Business Administration</u>				
Tax Compliance Resource Program	SBAHQ-09-I-0116	59.000	Lock Haven	21,351
Tax Compliance Resource Program	SBAHQ-10-I-0189	59.000	Lock Haven	3,886
Tax Compliance Resource Program	SBAHQ-10-I-0074	59.000	West Chester	150,000
Pass-Through the University of Pennsylvania, Tax Compliance Resource Program	SBAHQ-10-B-0005	59.000	Kutztown	65,000
Total Tax Compliance Resource Program				<u>240,237</u>
Pass-Through the University of Pennsylvania: Small Business Development Centers	6533101111	59.037	Shippensburg	46,796
Small Business Development Centers	C000015013	59.037	Indiana	38
Small Business Development Centers	6533101110	59.037	Shippensburg	72,999
Small Business Development Centers	0-603001-Z-0040-30	59.037	Clarion	345,050
Small Business Development Centers	554538-M	59.037	Lock Haven	46,679
Small Business Development Centers	555167-N	59.037	Lock Haven	45,517
Small Business Development Centers	0-603001-Z-0040-30	59.037	Kutztown	142,351
Small Business Development Centers	1-603001-Z-0040-31	59.037	Kutztown	199,874
Pass-Through PA Small Business Development Center, Small Business Development Centers	0-603001-Z-0040-30	59.037	Indiana	54,782
Total Small Business Development Centers				<u>954,086</u>
Total U.S. Small Business Administration				<u>1,194,323</u>
<u>U.S. Nuclear Regulatory Commission</u>				
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	NRC-38-09-920	77.006	Bloomsburg	15,365
<u>U.S. Department of Education</u>				
Pass-Through PA Dept of Education, Adult Education - Basic Grants to States	N/A	84.002	Mansfield	56,319
Pass-Through PA Dept of Education: Migrant Education - State Grant Program	017-090304	84.011	Millersville	33,564
Migrant Education - State Grant Program	017-100503	84.011	Millersville	34,230
Migrant Education - State Grant Program	017-100803	84.011	Millersville	34,098
Migrant Education - State Grant Program	017-090104	84.011	Millersville	534,467
Migrant Education - State Grant Program	017-100105	84.011	Millersville	971,901
Total Migrant Educations - Basic State Grant Program				<u>1,608,260</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, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Higher Education - Institutional Aid	P031B070075	84.031B	Cheyney	\$ 1,793,257
Higher Education - Institutional Aid	P031B085075	84.031B	Cheyney	579,949
Higher Education - Institutional Aid	P031B100095	84.031B	Cheyney	<u>225,111</u>
Total Higher Education - Institutional Aid				<u>2,598,317</u>
Pass-Through PA Dept of Education:				
Career and Technical Education - Basic Grants to States	381-10-0051	84.048	Clarion	141,343
Career and Technical Education - Basic Grants to States	UP 119-2009	84.048	Indiana	22,782
Career and Technical Education - Basic Grants to States	119-11-1002	84.048	Indiana	<u>1,279,534</u>
Total Career and Technical Education - Basic Grants to States				<u>1,443,659</u>
Fund for the Improvement of Postsecondary Education	P116Z08325	84.116Z	Lock Haven	12,285
Fund for the Improvement of Postsecondary Education	P116Z08005	84.116Z	East Stroudsburg	256
Fund for the Improvement of Postsecondary Education	P116Z090263	84.116Z	Bloomsburg	28,170
Fund for the Improvement of Postsecondary Education	P116Z090162	84.116Z	Edinboro	68,071
Fund for the Improvement of Postsecondary Education	P116Z090301	84.116Z	Cheyney	55,774
Fund for the Improvement of Postsecondary Education	P116Z100098	84.116Z	Cheyney	80,292
Fund for the Improvement of Postsecondary Education	P116Z090315	84.116Z	Cheyney	129,553
Fund for the Improvement of Postsecondary Education	P116Z080139	84.116Z	California	3,447
Fund for the Improvement of Postsecondary Education	N/A	84.116E	Millersville	45,000
Pass-Through IUP Research Institute:				
Fund for the Improvement of Postsecondary Education	IUP-C-0405-089	84.116	Indiana	(138)
Fund for the Improvement of Postsecondary Education	P116110036	84.116J	Indiana	15,000
Fund for the Improvement of Postsecondary Education	P116Z090121	84.116	California	<u>67,727</u>
Total Fund for the Improvement of Postsecondary Education				<u>505,437</u>
Rehabilitation Services - Vocational Rehabilitations Grants to States	4000008505	84.126	Clarion	<u>11,978</u>
Rehabilitation Services - Service Projects	7033001020	84.128J	Slippery Rock	<u>76,033</u>
Safe and Drug-Free Schools and Communities - National Programs	Q184Z090014	84.184Z	Office of the Chancellor	232,891
Pass-Through PA Higher Education Assistance Agency,				
Byrd Honors Scholarships	N/A	84.185A	Mansfield	4,500
Byrd Honors Scholarships	N/A	84.185	Millersville	7,500
Byrd Honors Scholarships	N/A	84.185	Indiana	<u>5,000</u>
Total Byrd Honors Scholarships				<u>17,000</u>
Pass-Through Central Susquehanna Intermediate Unit,				
Fund for the Improvement of Education	U215X070128	84.215X	West Chester	<u>48,091</u>
Pass-Through PA Department of Education:				
Twenty-First Century Community Learning Centers	FC4100043696	84.287	Office of the Chancellor	<u>56,244</u>
Pass-Through University of Missouri: Mid-Continent Research for Education and Learning,				
Research in Special Education	R324A080096	84.324	Edinboro	61,388
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312	84.325K	Bloomsburg	3,304
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312-10	84.325K	Bloomsburg	124,073
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312-11	84.325K	Bloomsburg	3,431
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080331-09	84.325K	Bloomsburg	41,962
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080331-10	84.325K	Bloomsburg	150,285
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	7033001015	84.325	Slippery Rock	181,749
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325T090007	84.325T	California	<u>79,762</u>
Total Special Education - Personnel Development to Improve Services and Results for Children with Disabilities				<u>584,566</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, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through University of Missouri:				
Special Education - Technology and Media Services for Individuals with Disabilities	R324B070176	84.327	California	\$ 24,901
Special Education - Technology and Media Services for Individuals with Disabilities	H327A080036	84.327	California	21,339
Special Education - Technology and Media Services for Individuals with Disabilities	H327A080036	84.327	California	<u>1,941</u>
Total Special Education - Technology and Media Services for Individuals with Disabilities				<u>48,181</u>
Gaining Early Awareness and Readiness for Undergraduate Programs				
Pass-Through Pennsylvania Higher Education Assistance Agency: Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Bloomsburg	26,789
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Shippensburg	63,825
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Indiana	152,279
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334A	Lock Haven	38,450
Pass-Through School District of Lancaster, Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334A	Millersville	44,400
Gaining Early Awareness and Readiness for Undergraduate Programs	P334S080005	84.334S	Office of the Chancellor	<u>2,485,942</u>
Total Gaining Early Awareness and Readiness for Undergraduate Programs				<u>2,811,685</u>
Childcare Access Means Parents in School				
Childcare Access Means Parents in School	P335A090102	84.335A	California	82,702
Childcare Access Means Parents in School	P335A100026	84.335A	Indiana	40,066
Childcare Access Means Parents in School	7033001018	84.335A	Slippery Rock	<u>15,080</u>
Total Child Care Access Means Parents in School				<u>137,848</u>
Teacher Quality Partnership Grants				
Pass-Through University of Pittsburgh, Teacher Quality Partnership Grants	7033001008	84.336	Slippery Rock	65,224
Teacher Quality Partnership Grants	SP400004439	84.336	Indiana	<u>(3,847)</u>
Total Teacher Quality Partnership Grants				<u>61,377</u>
Pass-Through Arts Council of Erie, Arts in Education				
Arts in Education	U351D100138	84.351D	Edinboro	<u>19,803</u>
Pass-Through PA Department of Education:				
Improving Teacher Quality State Grants	145-100005	84.367	Office of the Chancellor	304,671
Improving Teacher Quality State Grants	71-600001	84.367B	Office of the Chancellor	138,982
Improving Teacher Quality State Grants	71-700003	84.367B	Office of the Chancellor	491,893
Improving Teacher Quality State Grants	71-700002	84.367	Indiana	34,057
Pass-Through University of Pittsburgh, Improving Teacher Quality State Grants		84.367	Mansfield	<u>56,092</u>
Total Improving Teacher Quality State Grants				<u>1,025,695</u>
Pass-Through Perseus House Charter School of Excellence, School Improvement Grants				
School Improvement Grants	K11040	84.377A	Edinboro	<u>72,463</u>
Pass-Through PA Higher Education Assistance Agency: College Access Challenge Grant Program				
College Access Challenge Grant Program	N/A	84.378	Mansfield	2,164
College Access Challenge Grant Program	6533102711	84.378A	Shippensburg	<u>203</u>
Total College Access Challenge Grant Program				<u>2,367</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, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through National Writing Project Corporation:				
National Writing Project	05-PA11 (6)	84.928A	East Stroudsburg	\$ 32,575
National Writing Project	05-PA11 (5)	84.928A	East Stroudsburg	10,711
National Writing Project	U928A080001	84.928A	Edinboro	25,708
National Writing Project	U928A090001	84.928A	Edinboro	19,362
National Writing Project	N/A	84.928A	Mansfield	48,221
National Writing Project	92-PA05	84.928A	West Chester	39,504
Pass-Through University of California:				
National Writing Project	92-PA08 Amend 22	84.928A	Indiana	3,204
National Writing Project	92-PA08 Amend 21	84.928A	Indiana	(582)
Total National Writing Program				<u>178,703</u>
Total U.S. Department of Education				<u>11,658,305</u>
<u>U.S. Department of Energy</u>				
Pass-Through Office of Science,				
Office of Science Financial Assistance Program - ARRA	DE-SC0002013	81.049	Cheyney	<u>210,574</u>
State Energy Program				
Pass-Through PA Department of Environmental Protection:	SE080072EH	81.041	West Chester	(127)
State Energy Program - ARRA	4100051919	81.041	Edinboro	376,974
State Energy Program - ARRA	4100050399	81.041	Bloomsburg	<u>500,000</u>
Total State Energy Program				<u>876,847</u>
Renewable Energy Research and Development				
Renewable Energy Research and Development - ARRA	DE-EE00003217	81.087	West Chester	300,000
Renewable Energy Research and Development	DE-EE0004348	81.087	West Chester	223,939
Renewable Energy Research and Development	DE-EE0004499	81.087	West Chester	<u>518,840</u>
Total Renewable Energy Research and Development				<u>1,042,779</u>
Pass-Through National Nuclear Security Agency,				
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	DE-FG52-06NA27572	81.123	Cheyney	<u>25,649</u>
Total U.S. Department of Energy				<u>2,155,849</u>
<u>U.S. Department of Health and Human Services</u>				
Nurse Anesthetist Traineeships	A22HP17252	93.124	Bloomsburg	1,711
Occupational Safety and Health - State Program	5T02OH008622-06	93.262	Millersville	42,821
Pass-Through PA Department of Education,				
Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	4100021577	93.283	Indiana	(25)
Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	N/A	93.283	Lock Haven	<u>15,775</u>
Total Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work				<u>15,750</u>
Advanced Nursing Education Traineeships				
Advanced Nursing Education Traineeships	A10HP18219	93.358	West Chester	8,080
Advanced Nursing Education Traineeships	A10HP18255	93.358	Bloomsburg	13,959
Pass-Through Health Resources and Services Administration,				
Advanced Nursing Education Traineeships	A10HP18222-01-00	93.358	Indiana	<u>20,211</u>
Total Advanced Nursing Education Traineeships				<u>42,250</u>
Pass-Through Drexel University:				
Nurse Education, Practice and Retention Grants	U1KHP09542	93.359	Bloomsburg	15,808
Chafee Education and Training Vouchers Program (ETV)	N/A	93.599	Millersville	12,000
Head Start	6533100109	93.600	Shippensburg	21,262
Head Start	6533100110	93.600	Shippensburg	739,160
Head Start	6533100111	93.600	Shippensburg	115,791
Head Start	6533100710	93.600	Shippensburg	12,204
Head Start	6533100211	93.600	Shippensburg	<u>1,949</u>
Total Head Start				<u>890,366</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, 2011

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Head Start - ARRA	6533100410	93.708	Shippensburg	\$ 13,789
Chafee Foster Care Independence Program	410047664	93.674	Bloomsburg	30,000
Pass-Through PHEAA, Chafee Foster Care Independence Program	N/A	93.674	Lock Haven	<u>6,000</u>
Total Chafee Foster Care Independence Program				<u>36,000</u>
Pass-Through Health Resources & Services Administration, Health Careers Opportunity Program	1D18HP19982-01-00/P00000000000231	93.822	East Stroudsburg	11,810
Pass-Through IUP Research Institute, National Bioterrorism Hospital Preparedness Program	IUP-C-0809-117	93.889	Indiana	3,776
Pass-Through PA Department of Health, HIV Care Formula Grants	4100048817	93.917	Clarion	673,465
Pass-Through Health Resource Services: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	H76HA00756	93.918	Clarion	399,051
Pass-Through Health Resource Services: Special Projects of National Significance	H97HA19769	93.928	Clarion	<u>36,054</u>
Total U.S. Department of Health and Human Services				<u>2,194,651</u>
<u>Corporation for National and Community Service</u>				
Pass-Through Dept of Labor & Industry, AmeriCorps - ARRA	7033002029	94.006	Slippery Rock	<u>52,892</u>
<u>U.S. Department of Veterans Affairs</u>				
Post 9/11 Veterans Educational Assistance	N/A	64.028	Millersville	<u>659,025</u>
<u>U.S. Department of Homeland Security</u>				
Pass-Through National Emergency Training Center, Emergency Management Institute - Training Assistance	HSFEEM-10-MP-6350002	97.026	California	1,500
Pass-Through PA Emergency Management Agency (PEMA): Homeland Security Grant Program	4100049475	97.067	Office of the Chancellor	84,955
Homeland Security Grant Program	4100053808	97.067	Office of the Chancellor	<u>29,773</u>
Total Homeland Security Grant Program				<u>114,728</u>
Total U.S. Department of Homeland Security				<u>116,228</u>
<u>U.S. Election Assistance Commission</u>				
Help America Vote College Program	E4064552G	90.400	Kutztown	<u>26,744</u>
<u>Other</u>				
Teaching Primary Sources Program	GA07C0061	unknown	California	180,346
Equitable Share Agreement	PA0154600	unknown	West Chester	8,590
Pass-through Augusta Systems, Inc., Development of Advanced Panoramic Sensor Systems Optimized for Common Picture Displays	N00014-09-C-0629	unknown	California	21,359
Pass-Through The Pennsylvania State University, National Center for Robotics Engineering Technology Education	EOIR PO P4002008	unknown	California	251,921
Pass-Through Garrett College,; Center for the Advancement of STEM Education of Garrett College	W15QKN-06-1-0101	unknown	California	6,938
Center for the Advancement of STEM Education of Garrett College	W15QKN-06-1-0101	unknown	California	<u>6,938</u>
Total Other				<u>476,092</u>
TOTAL				<u>\$ 25,410,069</u>

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

**Notes to Schedule of Expenditures of Federal Awards
For The Year ended June 30, 2011**

(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, 2011. For purposes of the Schedule, federal awards include all U.S. government 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 four categories: Student Financial Assistance Cluster, Research and Development Cluster, American Recovery and Reinvestment Act state fiscal stabilization funds 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.

(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, 2011

(3) Student Financial Assistance

The following table shows certain information concerning student financial assistance programs detailed by University for the year ended June 30, 2011:

University	Federal Pell	Federal Supplemental Educational Opportunity Grant	Federal Work Study	Federal Perkins Cancellations	Academic Competitiveness Grant	National Science & Mathematics Access To Retain Talent Grant	Teacher Education Assistance For College And Higher Education Grant
Bloomsburg	\$ 12,196,534	\$ 231,850	\$ 710,310	\$ -	\$ 742,166	\$ 308,000	\$ -
California	12,094,441	316,308	286,722	-	620,987	413,983	78,000
Cheyney	5,288,064	352,976	181,013	-	106,075	-	-
Clarion	9,447,182	226,407	296,895	-	509,575	140,000	80,000
East Stroudsburg	7,540,751	175,786	275,874	-	339,925	114,500	-
Edinboro	13,132,767	263,518	341,482	-	286,782	107,713	217,000
Indiana	22,534,096	736,991	1,426,757	-	1,326,801	248,318	-
Kutztown	11,669,619	202,888	270,013	-	490,000	107,500	44,000
Lock Haven	8,087,547	281,179	252,863	3,239	309,716	44,000	36,000
Mansfield	6,194,921	128,081	147,549	-	174,700	32,000	63,250
Millersville	8,958,834	182,484	197,917	-	490,979	400,500	-
Shippensburg	7,958,864	161,006	172,216	-	448,384	120,000	54,500
Slippery Rock	10,787,056	250,419	319,197	23,454	732,642	331,289	14,000
West Chester	12,156,840	238,500	309,931	1,809,555	400,018	126,500	43,500
	<u>\$148,047,516</u>	<u>\$3,748,393</u>	<u>\$5,188,739</u>	<u>\$1,836,248</u>	<u>\$6,978,750</u>	<u>\$2,494,303</u>	<u>\$630,250</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, 2011**

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, 2011 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	\$ 140,000	\$ -	\$ -	\$ 55,418,231
California	97,622	-	-	71,787,027
Cheyney	-	-	12,864	12,687,920
Clarion	45,911	-	-	38,427,944
East Stroudsburg	165,500	-	30,499	41,150,122
Edinboro	278,918	61,115	-	60,031,272
Indiana	1,084,754	-	37,396	100,052,765
Kutztown	140,416	-	-	60,927,597
Lock Haven	118,050	-	-	34,177,978
Mansfield	250,158	-	-	22,920,620
Millersville	195,091	-	-	18,806,968
Shippensburg	253,424	-	-	44,691,380
Slippery Rock	369,013	-	-	58,769,048
West Chester	643,762	57,000	-	75,401,717
	<u>\$3,782,619</u>	<u>\$118,115</u>	<u>\$80,759</u>	<u>\$695,250,589</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, 2011.**

Outstanding loans and administrative allowances under the programs administered by PASSHE universities for the year ended June 30, 2011 are as follows:

<u>University</u>	<u>Federal Perkins Loans Outstanding</u>	<u>Nursing Student Loans Outstanding</u>
Bloomsburg	\$ 1,940,858	\$ -
California	2,242,126	-
Cheyney	355,823	-
Clarion	685,114	-
East Stroudsburg	2,487,519	-
Edinboro	2,079,641	121,829
Indiana	8,914,275	-
Kutztown	3,360,029	-
Lock Haven	1,197,090	-
Mansfield	1,674,162	-
Millersville	1,569,519	-
Shippensburg	2,466,763	-
Slippery Rock	4,392,911	-
West Chester	<u>7,879,013</u>	<u>207,085</u>
	<u>\$41,244,843</u>	<u>\$328,914</u>

(4) MAJOR PROGRAMS

The amount expended under major programs totaled approximately \$952,414,000, which is over 97% of total expenditures of federal awards for the year ended June 30, 2011. This amount includes loans administered under the Federal Family Education Loan Program and Federal Direct Loan Program during the year ended June 30, 2011 and loans outstanding as of June 30, 2011 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 2011, 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, 2011, which collectively comprise PASSHE's basic financial statements, and have issued our report thereon dated September 30, 2011. 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

Management of PASSHE is responsible for establishing and maintaining effective 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.

ParenteBeard LLC

Wilkes-Barre, Pennsylvania
September 30, 2011

**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, 2011. 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, 2011. 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 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, 11-8, 11-9, 11-10, 11-11, and 11-12.

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 as a basis for designing our 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 significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-12. 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.



Wilkes-Barre, Pennsylvania
March 23, 2012

**PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> 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?	<u> X </u> yes	_____ no

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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
See Schedule of Expenditures of Federal Awards for CFDA Numbers	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?	_____ yes <u> X </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 11-1

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

CRITERIA:

In accordance with 34 CFR 668.57(d), an institution shall require an applicant selected for verification to verify untaxed income and benefits by submitting a copy of the U.S. income tax return signed by the filer or one of the filers if a joint return or if no tax return was filed or is required to be filed, a statement signed by the relevant individuals certifying that no tax return was filed or is required to be filed and providing the sources and amount of untaxed income and benefits.

CONDITION:

Untaxed income and benefits were verified verbally.

CONTEXT:

Condition noted in 2 students of 60 students selected for testing.

CAUSE:

Director of Financial Aid was not aware of the requirement to obtain written verification of items verified.

EFFECT:

The University did not follow the regulations regarding the verification of untaxed income and benefits.

QUESTIONED COSTS:

There are no questioned costs relating to this finding.

RECOMMENDATION:

The University should review the regulations regarding appropriate documentation for items verified and establish procedures to ensure compliance with the regulations.

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, 2011

FINDING 11-2

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

CRITERIA:

In accordance with 34 CFR 668.22(a)(1), when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

CONDITION:

Sufficient documentation was not available at the time of review to conclude the University determined the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date.

CONTEXT:

The University was unable to provide adequate documentation that any returns of Title IV calculations were performed.

CAUSE:

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

EFFECT:

The University may not have made a post-disbursement to a student and have not returned the appropriate funds to the Department of Education

QUESTIONED COSTS:

Questioned costs could not be determined.

RECOMMENDATION:

The University should implement policies and procedures to ensure return of Title IV calculations 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, 2011

FINDING 11-3

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

CRITERIA:

In accordance with 34 CFR 685.309(b)(2), a school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a subsidized, unsubsidized, or PLUS loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended, or has changed his or her permanent address.

CONDITION:

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

CONTEXT:

Three students in our sample of six students were not reported in a timely manner.

CAUSE:

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

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.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

RECOMMENDATION:

The University should implement policies and procedures to ensure all withdrawing student 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, 2011

FINDING 11-4

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

CRITERION:

In accordance with 34 CFR 685.203(e), the total amount of Direct Unsubsidized Loans, Federal Unsubsidized Stafford Loans, and Federal SLS Loans but excluding the amount of capitalized interest may not exceed , for a dependent undergraduate student, \$31,000.

CONDITION:

A student received loans in excess of the maximum allowed.

CONTEXT:

One student in our sample of sixty received loans in excess of the maximum allowed.

CAUSE:

The University's indicated that the student was entitled to additional loan funds due to a PLUS denial, however, the University did not have support for the PLUS denial on file.

EFFECT:

The student received loans in excess of the maximum allowed.

QUESTIONED COSTS:

Questioned costs relating to this finding are \$8,000.

RECOMMENDATION:

The University should established policies and procedures to verify the student has not exceeded the aggregate loan limit prior to awarding the student a loan.

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, 2011

FINDING 11-5

Clarion University – Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

CRITERION:

In accordance with 34 CFR 685.309(b)(2), a school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a subsidized, unsubsidized, or PLUS loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended, or has changed his or her permanent address.

CONDITION:

The University did not submit student status changes in a timely manner.

CONTEXT:

Nine of nineteen students tested did not comply.

CAUSE:

The University did not have a procedure in place to report student status changes in a timely manner.

EFFECT:

NSLDS is not aware of status changes within the required sixty day time period.

QUESTIONED COSTS:

No questioned costs noted.

RECOMMENDATION:

We recommend the University implement a system to ensure all status changes are reported within the required time period.

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, 2011

FINDING 11-6

Clarion University - Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loan - Federal Capital Contributions CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Loans CFDA#93.364)

CRITERION:

In accordance with 34CFR 675.9, 676.9, 674.9, 682.201, 685.200, and 691.62, the student's aid package, including other awards, cannot exceed the student's financial need.

CONDITION:

A student selected for testing was awarded total aid above the financial need.

CONTEXT:

One of forty students tested did not comply.

CAUSE:

The University overawarded a student in error.

EFFECT:

Aid above the amount allowable was given to a student.

QUESTIONED COSTS:

Questioned costs associated with this finding are \$588.

RECOMMENDATION:

We recommend the University implement a system to ensure students are not awarded more than the financial need.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

FINDING 11-7

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

CRITERION:

In accordance with 34 CFR 668.22, any student that withdraws prior to sixty percent completion of semester must have a return of Title IV funds calculation performed and the unearned portion returned to the Title IV programs.

CONDITION:

A return of Title IV funds calculation was not performed.

CONTEXT:

One of nineteen students tested did not comply.

CAUSE:

A return of title IV funds calculation was not done due to an error in identifying the student as withdrawn.

EFFECT:

The University may have kept unearned Title IV monies.

QUESTIONED COSTS:

No questioned costs were identified relating to this finding.

RECOMMENDATION:

We recommend the University implement a system to ensure all return of Title IV funds calculations are completed in accordance with 34CFR 668.22.

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, 2011

FINDING 11-8

Lock Haven University – Student Financial Assistance Cluster (Academic Competitiveness Grants CFDA#84.375)

CRITERION:

In accordance with 34 CFR 691.6(a), a student is eligible to receive up to one ACG Scheduled Award while enrolled as a first-year student and one ACG Scheduled Award while enrolled as a second-year student.

CONDITION:

Students in their third-year were awarded ACG grants.

CONTEXT:

One student in our sample of five students received a third-year ACG grant.

CAUSE:

The student achieved third-year status in the middle of the academic year and was incorrectly awarded an ACG grant in the spring semester.

EFFECT:

The student was ineligible to received the ACG grant.

QUESTIONED COSTS:

Known questioned costs are \$650 and likely questioned costs are \$1,300.

RECOMMENDATION:

The University should review its monitoring procedures in place to identify Academic Competitiveness Grant (ACG) recipients that would reach third-year status during the school year to avoid improperly awarding an ACG grant to a third year recipient.

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, 2011

FINDING 11-9

West Chester University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loan – Federal Capital Contributions CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Loans CFDA#93.364)

CRITERION:

In accordance with 34 CFR 173(b), an institution returns unearned Title IV funds timely if the funds are transferred no later than 45 days after the date it determines that the student withdrew.

CONDITION:

The University did not return funds to the Department of Education within the prescribed timeframes.

CONTEXT:

For two students in our sample of 40 students, the return of Title IV funds to the Department of Education did not occur within 45 days of determining the student had withdrawn.

CAUSE:

The returns of Title IV calculations were not performed in a timely manner.

EFFECT:

The University did not return the unearned funds to the Department of Education in a timely manner.

QUESTIONED COSTS:

No questioned costs relating to this finding.

RECOMMENDATION:

The University should review its monitoring procedures in place to identify both official and non-official withdrawals so that the calculation and return of Title IV funds is performed within required timeframes.

MANAGEMENT COMMENTS:

See 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, 2011

FINDING 11-10

West Chester University – Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

CRITERION:

In accordance with 34 CFR 685.309(b)(2), a school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a subsidized, unsubsidized, or PLUS loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended, or has changed his or her permanent address.

CONDITION:

The University reported the incorrect withdrawal date to the National Student Clearinghouse.

CONTEXT:

Two students in our sample of 40 were reported incorrectly.

CAUSE:

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

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.

QUESTIONED COSTS:

There are no questioned costs associated with this finding.

RECOMMENDATION:

The University should review its controls and procedures to ensure reporting of withdrawal dates to the Clearinghouse are performed within the required timeframes.

MANAGEMENT COMMENTS:

See 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, 2011

FINDING 11-11

West Chester University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal-Work Study Program CFDA#84.033, Federal Perkins Loan – Federal Capital Contributions CFDA#84.038)

CRITERION:

In accordance with 34 CFR 668.24(e)(1)(i), an institution shall keep the Fiscal Operations Report and Application to Participate in the Federal Perkins Loan, FSEOG, and FWS Programs (FISAP), and any records necessary to support the data contained in the FISAP included "income grid information", for three years after the end of the award year which the FISAP is submitted.

CONDITION:

The underlying support for the 2010-2011 FISAP did not agree to the information reported in the FISAP.

CONTEXT:

The FISAP should be reconciled to the information reported in the University's schedule of federal expenditures.

CAUSE:

The University did not perform a reconciliation of the FISAP to the schedule of federal expenditures.

EFFECT:

Information relating to the Pell Grant was reported incorrectly on the University's FISAP.

QUESTIONED COSTS:

There are no questioned costs relating to this finding.

RECOMMENDATION:

The University should enhance its review procedures to ensure the amount reported on the FISAP are the same as the amounts reported on the schedule of expenditures of federal awards.

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, 2011

FINDING 11-12

West Chester University – Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loan – Federal Capital Contributions CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Loans CFDA#93.364)

CRITERION:

In accordance with 34 CFR 673.5(a), an institution may only award or disburse a Federal Perkins loan or an FSEOG to a student if that loan or the FSEOG, combined with the other estimated financial assistance the student receives, does not exceed the student's financial need. Additionally, an institution may only award FWS employment to a student if the award, combined with the other estimated financial assistance the student receives, does not exceed the student's financial need.

CONDITION:

The University discovered that the aid package was calculated incorrectly for students receiving tuition waivers.

CONTEXT:

Three students in our sample of 40 received aid in excess of the student's financial need.

CAUSE:

The University did not include the tuition waivers as a form of aid when calculating the student's award package.

EFFECT:

The students received aid greater than their cost of attendance.

QUESTIONED COSTS:

The amount of known questioned costs is \$46,215.

RECOMMENDATION:

The University should review its current policies and controls to ensure students receiving tuition waivers have an appropriate financial aid package calculated.

MANAGEMENT COMMENTS:

See the University's corrective action plan.

SECTION IV-SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDING 10-1

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

CONDITION:

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

RECOMMENDATION:

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

STATUS:

No similar findings were noted in 2011.

FINDING 10-2

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

CONDITION:

The University did not meet the earmarking requirement.

RECOMMENDATION:

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

STATUS:

The University no longer participates in this program.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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).

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.

RECOMMENDATION:

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

STATUS:

See current year finding 11-2.

FINDING 10-4

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

CONDITION:

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

RECOMMENDATION:

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

STATUS:

No similar findings were noted in 2011.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING 10-5

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

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.

RECOMMENDATION:

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

STATUS:

This compliance requirement is no longer applicable to the discontinuance of the FFEL Program effective July 1, 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)

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.

RECOMMENDATION:

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

STATUS:

No similar findings were noted in 2011.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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)

CONDITION:

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

RECOMMENDATION:

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

STATUS:

See current year finding 11-3.

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)

CONDITION:

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

RECOMMENDATION:

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

STATUS:

No similar findings noted in 2011.



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

CHEYNEY UNIVERSITY CORRECTIVE ACTION PLAN

March 23, 2012

U.S. Department of Education

Cheyney University respectfully submits the following corrective action plan for the year ended June 30, 2011:

Name and address of independent public accounting firm:

Parente Beard, LLC
48 Public Square, Suite 400
Wilkes-Barre, PA 18701

Audit period: June 30, 2011

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below.

FINDING 11-1

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should review the regulations regarding appropriate documentation for items verified and establish procedures to ensure compliance with the regulations.

Action Taken:

We concur with the recommendation, and we will implement procedures that will serve as quality control methods to make sure that documentation to support decisions are recorded. Staff will review and master all federal guidelines regarding the collection and maintaining of documents. An additional verification form will be developed to record untaxed income and benefits for each student selected for verification. That form will be maintained in the student's permanent file.

FINDING 11-2

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure return of title IV calculations are performed.

Action Taken:

We concur with the recommendation, and we will implement procedures to ensure that we complete the return of Title IV calculations in a timely manner. The Office of Financial Aid in conjunction with the Office of the Provost will review the current withdrawal process and develop and implement a new system that will allow for timely notification of student withdrawals. The Office of Financial Aid will begin implementing R2T4-on-the-web to ensure that the process is done correctly and submitted properly. Once the student begins the withdrawal process, the Office of Financial Aid is notified and the R2T4 process will begin.

FINDING 11-3

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:

We concur with the recommendation, and we will review and revise the procedures regarding notifying the National Student Clearinghouse when there is a change in a student's enrollment. Quality control methods will be put in place to assure that this is done in a timely manner.

The Director of Financial aid will meet with the Cheyney University Administration and will share with the body how the Clearinghouse process works. After meeting with the group, written procedures will be developed to ensure that the processes are implemented and transmission of information is submitted in a timely manner.

FINDING 11-4

Cheyney University – Student Financial Assistance Cluster

Recommendation:

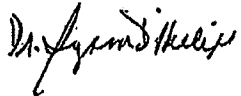
The University should establish policies and procedures to verify the student has not exceeded the aggregate loan limit prior to awarding the student a loan.

Action Taken:

We concur with the recommendation, and we will implement procedures that will serve as quality control methods to ensure that documentation to support decisions are recorded. The University has transitioned to new financial aid software (PowerFails). This new software now imports all Plus Loan decisions directly from COD and, as such, will serve as a form of quality control. All Plus Loan information will be loaded each day and the process reviewed by the office IT specialist. Also, the PowerFails financial aid software has been programmed to identify students who are near aggregate loan limits to avoid student over awarding. Aggregate loan reports now will be utilized to ensure that the student has not exceeded loan limits.

If the U.S. Department of Education has questions regarding this plan, please call 610-399-2369.

Sincerely,



Dr. Suzanne D. Phillips
Vice President for Student Affairs and Student Life
Cheyney University of Pennsylvania



Clarion University of Pennsylvania
840 Wood Street
Clarion, Pennsylvania 16214-1232
Phone: 814-393-2000
Text Telephone (TTY/TDD): 814-393-1601
WWW.CLARION.EDU

CORRECTIVE ACTION PLAN
February 29, 2012

U.S. Department of Education

Clarion University of Pennsylvania respectively submits the following corrective action plan for the year ending June 30, 2011.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2011

The findings from June 30, 2011 schedule of findings and questioned costs are discussed below.

Finding 11-5

Clarion University – Student Financial Aid Cluster

Recommendation:

The University should implement a system to ensure all status changes are reported within the required time period.

Action Taken:

The University will enhance our reporting requirements to the National Student Loan Clearing House by increasing the number of submissions from three each semester which are approximately 45 days apart, to once every 30 days during the fall and spring semesters. Management will review summer submission procedures since most students are not enrolled for half-time status during a single term of summer school.

If the U.S. Department of Education has questions regarding this plan, please call (814)-393-2240.

Sincerely yours,

Paul Bylaska
Vice President of Finance and Administration
Clarion University of Pennsylvania



Clarion University of Pennsylvania
840 Wood Street
Clarion, Pennsylvania 16214-1232
Phone: 814-393-2000
Text Telephone (TTY/TDD): 814-393-1601

CORRECTIVE ACTION PLAN
February 29, 2012

U.S. Department of Education

Clarion University of Pennsylvania submits the following corrective action plan for the year ending June 30, 2011

Name and address of independent public accounting firm:

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

Audit period: June 30, 2011

The finding from June 30, 2011 schedule of findings and questioned costs are discussed below.

Finding 11-6

Clarion University – Student Financial Aid Cluster

Recommendation:

The University should implement a system to ensure students are not awarded more than the financial need.

Action Taken:

The University has made modifications to the financial aid module of its new student information system which will improve its ability to prevent overawards. The financial aid and student billing staff will also manually review financial aid awards more closely.

Sincerely yours,

W. Paul Bylaska
Vice President of Finance and Administration
Clarion University



Clarion University of Pennsylvania
840 Wood Street
Clarion, Pennsylvania 16214-1232
Phone: 814-393-2000
Text Telephone (TTY/TDD): 814-393-1601
WWW.CLARION.EDU

CORRECTIVE ACTION PLAN
February 29, 2012

U.S. Department of Education

Clarion University of Pennsylvania respectively submits the following corrective action plan for the year ending June 30, 2011.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2011

The findings from June 30, 2011 schedule of findings and questioned costs are discussed below.

Finding 11-7

Clarion University -- Student Financial Aid Cluster

Recommendation:

The University should implement a system to ensure all return of Title IV funds calculations are completed in accordance with 34CFR 668.22.

Action Taken:

The Office of Financial Aid Director will communicate with the Accounts Receivable supervisor on an annual basis to assure that return to Title IV calculations are performed during the academic year, as well as during the summer semester.

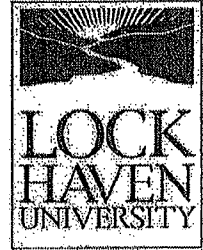
If the U.S. Department of Education has questions regarding this plan, please call (814)-393-2240.

Sincerely yours,

Paul Bylaska
Vice President of Finance and Administration
Clarion University of Pennsylvania

LOCK HAVEN UNIVERSITY
CORRECTIVE ACTION PLAN

January 23, 2012



U.S. Department of Education

Lock Haven University respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

ParenteBeard LLC
1650 Market Street, Suite 4500
Philadelphia, PA 19103

Audit period: June 30, 2011

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below.

FINDING #11-8

Lock Haven University – Student Financial Assistance Cluster

Recommendation: The University should review its monitoring procedures in place to identify Academic Competitiveness Grant (ACG) recipients that would reach junior status during the school year to avoid improperly awarding an ACG grant to a third year recipient.

Action Taken: The University has reviewed all 2010-2011 ACG recipients, will cancel all ACG awards improperly awarded to third year students, and will return those ACG funds to the U.S. Department of Education. Since the ACG program was discontinued after the 2010-2011 award year, it is not necessary to review monitoring procedures for future award years.

If the U.S. Department of Education has questions regarding this plan, please call 570-484-2452.

Sincerely yours,

A handwritten signature in cursive script that reads "Mary E. Miller".

Mary E. Miller
Interim Director of Student Financial Services
Lock Haven University of Pennsylvania



Assistant Vice President
for Finance and Business Services
West Chester University
West Chester, Pennsylvania 19383

610-436-2961
fax: 610-436-2637
www.wcupa.edu

WEST CHESTER UNIVERSITY CORRECTIVE ACTION PLAN

December 15, 2011

U.S. Department of Education

West Chester University respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

ParenteBeard LLC
1650 Market Street, Suite 4500
Philadelphia, PA 19103

Audit period: June 30, 2011

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below.

FINDING #11-9

West Chester University – Student Financial Assistance Cluster

Recommendation: The University should review its monitoring procedures in place to identify both official and non-official withdrawals so that the calculation and return of Title IV funds is performed within required timeframes.

Action Taken: The University has reviewed its monitoring procedures to identify both official and unofficial withdrawals so that the calculation and return of Title IV funds is performed within required timeframes. The University is developing additional procedures to ensure that timely reporting occurs when exceptions are made and withdrawals are processed after the end of the semester.

FINDING #11-10

West Chester University – Student Financial Assistance Cluster

Recommendation: The University should review its controls and procedures to ensure reporting of withdrawal dates to the Clearinghouse are performed within required timeframes.

Action Taken: The University already has in place controls and procedures to ensure timely reporting of withdrawal dates that occur during the current semester. The University is developing additional procedures to ensure that timely reporting occurs when exceptions are made and withdrawals are processed after the end of the semester.

FINDING #11-11

West Chester University – Student Financial Assistance Cluster

Recommendation: The University should enhance its review procedures to ensure that the amounts reported on the FISAP are the same as the amounts reported on the schedule of expenditures of federal awards.

Action Taken: The Financial Aid Director or his designee and the Financial Aid accountant from Finance and Business Services will perform a reconciliation of the FISAP to the accounting records to ensure the amounts are the same as reported on the federal award schedule of expenditures prior to the FISAP submission.

FINDING 11-12

West Chester University – Student Financial Assistance Cluster

Recommendation: The University should review its current policies and controls to ensure students receiving tuition waivers have an appropriate financial aid package calculated.

Action Taken: The University has instituted policies and controls to ensure students receiving tuition waivers have need-based aid packaged appropriately. All 2010-2011 aid packages involving tuition waivers were reviewed and adjusted as needed to comply with federal regulations.

If the U.S. Department of Education has questions regarding this plan, please call Bernadette Hinkle, Associate Vice President for Finance and Business Services at 610-436-3120.

Sincerely yours,



Bernadette Hinkle
Assistant Vice President
Finance and Business Services
West Chester University