

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
BALANCE SHEETS — PRIMARY INSTITUTION	13



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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis as well as various schedules of Proportionate Share of Net Pension Liability, Changes in the System Plan Total OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions on pages 77-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

(Unaudited)

- The University also receives an allocation of Commonwealth funding based on achieving performance targets. This practice will discontinue beginning in fiscal year 2019-20. A new methodology is being developed as part of the PASSHE redesign efforts. This performance funding was part of the State System's continuing commitment to ensure the high quality of university programs, and financially rewards universities based on performance in such areas as student achievement, diversity, and operational efficiency. In fiscal 2018-19, the University received \$3.65 million in performance funding, which was a 12.9% increase from fiscal year 2017-18 when the University received \$3.23 million in performance funding.

The State System Board approved a tuition rate increase of 2.99% for 2018-19. Increases of 3.5% and 2.5% were approved for fiscal year 2017-18 and 2016-17, respectively. Millersville University entered into a pilot tuition program beginning with fiscal year 2014-15. Undergraduate in-state tuition rates per credit were \$319 in fiscal year 2018-19, \$309 in fiscal year 2017-18 and \$299 in fiscal year 2016-17. Millersville's per credit rate remains 1% below the calculated per credit rate for other PASSHE institutions which charge a flat tuition rate for full time undergraduate resident students.

Total operating revenues were \$113.7 million in fiscal year 2018-19 representing a 3.3% increase compared to \$110.0 million in fiscal year 2017-18. Of this total, tuition and fee revenue (net of discounts) was \$71.8 million for fiscal year 2018-19 and \$67.8 million for fiscal year 2017-18. Revenue from auxiliary operations was \$26.4 million for fiscal year 2018-19 and \$25.8 million for fiscal year 2017-18, an increase of 2.5%. Auxiliary enterprise revenues are generated primarily food service charges and operation of the student center.

The University purchased \$9.2 million in capital assets in fiscal year 2018-19, which included \$4.5 million to build or improve academic and auxiliary facilities on campus.

Bond Principal of \$4.9 million and bond interest of \$2.4 million were paid, bringing the total outstanding bond debt to \$46.1 million.

The University retired its share of the obligation for Series AG and a significant portion of AI bonds and issued series AV-1 in their place.

All bonds held by the University are issued through the Pennsylvania State System of Higher Education. Moody's Investor Service, Inc., continues to assign an Aa3 credit rating to the State System's outstanding bonds. Fitch Rating, Inc., continues to assign the State System's bonds with an A+ rating. In August 2019, both Moody's and Fitch maintained their outlooks for the ratings as stable.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

The Financial Statements

Balance Sheet (Statement of Net Position)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

Millersville University of Pennsylvania of the State System of Higher Education

Balance Sheet

As of June 30, 2019, 2018, 2017

	2019	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets	\$ 77,189,540	\$ 75,633,597	\$ 78,782,480
Noncurrent Assets			
Capital Assets, Net	134,217,641	135,728,072	134,801,513
Other Noncurrent Assets	12,123,426	12,196,064	11,847,373
Total Assets	223,530,607	223,557,733	225,431,366
Deferred Outflows of Resources	27,118,132	17,174,527	19,591,986
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 250,648,739	\$ 240,732,260	\$ 245,023,352
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities	\$ 28,301,399	\$ 26,634,518	\$ 22,618,131
Noncurrent Liabilities			
OPEB and Compensated Absences	158,505,739	189,147,943	93,746,971
Pension Liability	90,674,273	78,508,270	83,603,096
Long-Term Debt	46,674,444	49,452,196	54,207,215
Other Noncurrent Liabilities	5,391,699	5,522,699	6,076,904
Total Liabilities	329,547,554	349,265,626	260,252,317
Deferred Inflows of Resources	46,739,826	21,923,789	3,904,763
NET POSITION			
Net Investment in Capital Assets	78,308,853	77,593,855	71,876,223
Total Restricted	20,443,639	20,643,950	18,681,163
Unrestricted	(224,391,133)	(228,694,960)	(18,-,950)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

Restricted net position represents the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. Nonexpendable restricted net position represents corpuses of endowments and similar arrangements in which only the associated investment income can be spent. Expendable restricted net position is available for expenditure as long as any external purpose and time restrictions are met.

Deferred Inflows of Resources, which is defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance and certain items associated with the net pension and OPEB liabilities and annual pension and OPEB expense.

Unrestricted net position includes all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net position has been reduced primarily by three unfunded liabilities:

The liability for postretirement benefits is realized gradually over time, and because of its size, the University funds it only as it becomes due.

The liability for compensated absences is similar to the postretirement benefits liability as cash payouts to employees upon termination or retirement for annual and sick leave balances are realized gradually over time, and because of its size, the University funds it only as it become due.

The net pension liability is similar to the liabilities for postretirement benefits and compensated absences in that the University funds this liability on a "pay-as-you-go" basis with annual contractually required contributions to the State Employees Retirement System (SERS) and the Public School Employees Retirement System (PSERS).

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

Millersville University of Pennsylvania of the State System of Higher Education
Statement of Revenues, Expenses, and Change in Net Position - Primary institution
Years Ended June 30, 2019, 2018, 2017

	2019	2018	2017
OPERATING REVENUES			
Tuition and Fees, Net	\$ 71,823,650	\$ 67,754,685	\$ 67,660,686
Governmental Grants and Contracts	11,281,865	12,240,512	10,396,644
Sales and Services	3,079,332	2,956,465	2,950,152
Auxiliary Enterprises, Net	26,390,744	25,759,453	25,163,719
Other Revenues, Net	1,158,644	1,376,733	1,235,424
Total Operating Revenues	113,734,235	110,087,848	107,406,625
NONOPERATING REVENUES			
State Appropriations, General and Restricted	34,805,234	33,793,847	32,457,613
Pell Grants	9,372,256	9,445,150	8,649,565
Gifts for Other Than Capital Purposes	3,291,407	4,077,763	5,694,551
Investment Income, Net	2,473,997	2,321,889	2,398,078
Loss on Disposal of Assets	(27,106)	(111,834)	(1,103,081)
Other Nonoperating Revenue	876,282	970,150	971,470
Total Nonoperating Revenues	50,792,070	50,496,965	49,068,196
OTHER REVENUES			
State Appropriations, Capital	1,237,908	1,346,961	1,184,099
Capital Gifts and Grants	60,612	982,406	1,751,106
Total Other Revenues	1,298,520	2,329,367	2,935,205
 Total Revenues	 165,824,825	 162,914,180	 159,410,026
OPERATING EXPENSES			
Instruction	55,522,627	60,862,649	57,202,584
Research	835,689	1,014,670	718,956
Public Service	4,394,716	4,523,476	3,854,573
Academic Support	10,403,745	11,825,689	13,276,774
Student Services	16,483,750	18,897,361	18,184,910
Institutional Support	18,510,799	24,212,738	18,829,839
Operations and Maintenance of Plant	9,069,796	13,379,840	11,483,784
Depreciation	10,685,934	9,858,056	9,820,136
Student Aid	5,385,988	5,483,254	5,401,878
Auxiliary Enterprises	27,671,824	18,225,819	23,454,495
Total Operating Expenses	158,964,868	168,283,552	162,227,929
NONOPERATING EXPENSES			
Interest Expense on Capital Asset-Related Debt	2,041,443	1,925,804	2,081,125
Total Expenses	161,006,311	170,209,356	164,309,054
 CHANGE IN NET POSITION	 4,818,514	 (7,295,176)	 (4,899,028)
Net Position-Beginning of Year	(130,457,155)	(19,133,728)	(14,234,700)
Restatement	Net Position-1		

M

MANAGEMENT'S D

MANAGEMENT'

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Unaudited)

Request for Information

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

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS — PRIMARY INSTITUTION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	67,669,643	

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS — PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2019 AND 2018**

	2019	2018
LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 13,232,735	\$ 12,793,431
Unearned Revenue	1,766,774	1,777,878
Students' Deposits	467,173	377,026
Workers' Compensation, Current	528,800	500,166
Compensated Absences, Current	914,667	847,858
Other Postemployment Benefits Liability, Current	5,057,194	4,670,092
Capital Lease Obligations, Current	716,102	137,134
Current Portion of Bonds Payable, Net	4,608,303	4,459,658
Due to System, Academic Facilities Renovation Bond Program (AFRP)	309,719	342,606
Due to Component Units	699,932	675,117
Other Deposit Liabilities	-	53,552
Total Current Liabilities	28,301,399	26,634,518
NONCURRENT LIABILITIES		
Workers' Compensation, Net of Current Portion	659,675	446,451
Compensated Absences, Net of Current Portion	8,430,659	8,406,759
Other Postemployment Benefits Liability, Net of Current Portion	150,075,080	180,741,184
Net Pension Liability	90,674,273	78,508,270
Capital Lease Obligations, Net of Current Portion	2,484,592	349,373
Bonds Payable, Net of Current Portion	43,722,860	48,326,112
Due to System, AFRP	466,992	776,711
Other Noncurrent Liabilities	4,732,024	5,076,248
Total Noncurrent Liabilities	301,246,155	322,631,108
Total Liabilities	329,547,554	349,265,626
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding of Debt	84,528	98,821
Deferred Inflows from SERS Contributions	2,023,466	5,717,457
Deferred Inflows from PSERS Contributions	173,609	148,277
Deferred Inflows from OPEB Contributions	44,458,223	15,959,234
Total Deferred Inflows of Resources	46,739,826	21,923,789
Total Liabilities and Deferred Inflows of Resources	376,287,380	371,189,415
NET POSITION		
Net Investment in Capital Assets	78,308,853	77,593,855
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	2,361,421	2,352,555
Other	371,753	398,645
Expendable:		
Scholarships and Fellowships	8,181,880	8,202,826
Research	46,322	31,620
Capital Projects	582,886	1,409,170

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Tuition and Fees	\$ 86,608,713	\$ 84,133,648
Less: Scholarship Discounts and Allowances	(14,785,063)	(16,378,963)
Net Tuition and Fees	71,823,650	67,754,685
Governmental Grants and Contracts:		
Federal	5,178,365	5,432,102
State	6,094,581	6,770,908
Local	8,919	

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS — PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 71,510,948	\$ 67,024,678
Grants and Contracts	12,045,764	12,111,088
Payments to Suppliers for Goods and Services	(39,614,513)	(37,312,955)
Payments to Employees	(105,838,916)	(103,259,238)
Loans Issued to Students	-	(49,026)
Loans Collected from Students	220,162	228,637
Student Aid	(5,385,988)	(5,483,254)
Auxiliary Enterprise Charges	26,217,454	25,789,900
Sales and Services of Educational Departments	2,963,900	2,965,997
Other Receipts (Payments)	240,435	255,615
Net Cash Used by Operating Activities	(37,640,754)	(37,728,558)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations, Including Federal ARRA	34,805,234	33,793,847
Gifts for Other than Capital Purposes	3,308,142	4,077,828
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	66,277,454	64,646,387
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(66,277,454)	(64,646,387)
Pell Grant	9,372,256	9,445,150
Agency Transactions	(212,568)	(585,526)
Other	128,435	163,447
Net Cash Provided by Noncapital Financing Activities	47,401,499	46,894,746
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	924,769	-
Capital Appropriations	1,237,908	1,346,961
Capital Gifts and Grants Received	31,953	837,026
Proceeds from Sale of Capital Assets	-	6,973
Purchases of Capital Assets	(6,304,236)	(10,533,838)
Principal Paid on Debt and Leases	(5,357,355)	(4,333,063)
Interest Paid on Debt and Leases	(2,527,491)	(2,437,724)
Net Cash Used by Capital Financing Activities	(11,994,452)	(15,113,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,328,978	1,740,606
Purchase of Investments	(11,465)	-
Net Cash Provided by Investing Activities	2,317,513	1,740,606

66 0 TD-0005 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BY (11,994,452) IN 2019 AND (15,113,665) IN 2018. Equip Supp 52188 (ents)-1 (he

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS — PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (45,230,633)	\$ (58,195,704)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	10,685,934	9,858,056
Expenses Paid by Commonwealth or Donor	747,849	806,703

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF NET ASSETS — COMPONENT UNITS
JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 31,500,465	\$ 32,345,374
Investments	37,481,178	34,517,115
Accounts Receivable	645,229	1,044,984
Pledges Receivable	1,665,774	1,785,359
Due from University	699,932	675,117
Net Capital Assets	149,991,983	154,234,385
Other Assets	955,555	1,005,879
Total Assets	\$ 222,940,116	\$ 225,608,213
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 3,404,257	\$ 3,936,455
Annuity Liabilities	165,816	166,962
Due to University	4,366,049	3,207,361
Funds Held for Other Independent Organizations	418,717	193,519
Interest Rate Swap Agreements	961,648	-
Bonds Payable	140,703,195	143,042,318
Notes Payable	27,995,336	28,785,245
Other Liabilities	8,598,242	8,818,814
Total Liabilities	186,613,260	188,150,674
NET ASSETS		
Without Donor Restrictions	21,255	2,599,945
With Donor Restrictions	36,305,601	34,857,594
Total Net Assets	36,326,856	37,457,539

T0021 Tc1m95ot6n Tcaa i937323.4() S

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Revenues and Other Additions:		
Contributions	\$ 696,474	\$ 325,777
Sales and Services	2,645,058	2,736,495
Investment Income	(73,727)	(74,929)
Change in Value of Charitable Gift		
Annuities	(21,631)	(2,134)
Change in Value of Fair Value of		
Interest Rate Swaps	(1,608,016)	440,949
Rental Income	23,067,118	22,402,057
Other Revenues and Gains	79,549	2,009,447
Net Assets Released from Restrictions	1,549,983	1,624,200
Total Revenues and Other Additions	26,334,808	29,461,862
Expenses and Other Deductions:		
Program Services:		
Scholarships and Grants	1,241,818	1,336,909
University Stores	1,240,052	1,312,609
Housing	22,115,424	21,585,130
Other Programs	1,356,426	1,361,890
Management and General	2,510,490	2,260,999
Fundraising	358,215	304,436
Total Expenses and Other Deductions	28,822,425	28,161,973
Other Expenses and Losses	91,073	607,044
Change in Net Assets Without Donor Restrictions	(2,578,690)	692,845
Changes in Net Assets With Donor Restrictions		
Contributions	1,282,986	3,087,054
Investment Income	688,446	599,980
Net Realized and Unrealized Gains	1,024,951	1,622,912
Other Revenues and Gains	1,607	(638)
Net Assets Released from Restrictions	(1,549,983)	(1,624,200)
Change Net Assets in With Donor Restrictions	1,448,007	3,685,108
CHANGE IN TOTAL NET ASSETS	(1,130,683)	4,377,953
Net Assets - Beginning of Year	37,457,539	33,079,586
NET ASSETS - END OF YEAR	\$ 36,326,856	\$ 37,457,539

See accompanying Notes to Financial Statements.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

Reporting Entity (Continued)

Student Services, Inc. (Continued)

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

During the years ended June 30, 2019 and 2018, respectively, the University received rental income in the amounts of \$28,020 and \$27,204. In addition, the University received \$2,794,098 and \$2,738,865 during the years ended June 30, 2019 and 2018, respectively, for management costs associated with student housing facilities owned by the Corporation. The University also received percentage rental income of \$299,173 and \$278,252 during the years ended June 30, 2019 and 2018, respectively. Percentage income relates to administration related rental operations. Rental expense paid to the Corporation for the years ended June 30, 2019 and 2018 was \$16,258,306 and \$15,773,898, respectively. The total amounts due to the University at June 30, 2019 and 2018 were \$3,096,593 and \$2,428,088, respectively. Amounts due from the University at June 30, 2019 and 2018 were \$85,989 and \$326,419, respectively. Student Services, Inc. made contributions to the University of \$1,081,855 and \$915,500 during the years ended June 30, 2019 and 2018, respectively.

Student Services, Inc. also performs various administrative services for University student organizations. The total amounts due to the University related to student organizations at June 30, 2019 and 2018 were \$1,258,873 and \$1,067,960, respectively.

Student Lodging, Inc.

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

Operating Revenues and Expenses

Operating revenues of the University consist of tuition, all academic, instructional and other student fees, student financial aid, auxiliary activity; corporate partnerships; and revenue from cogeneration sales. In addition, governmental and private grants and contracts in

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

New Accounting Standards

In fiscal year 2017/18, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which required a restatement of net position at July 1, 2017, as follows.

Net Position - Beginning of Year	\$ (19,133,728)
Restatement for July 1, 2017, OPEB Liabilities and Related Expenses	<u>(104,028,251)</u>
Net Position - Beginning of Year, Restated	<u><u>\$ (123,161,979)</u></u>

The University previously reported beneficial interests with investments; therefore, there was no effect on net position.

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

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 establishes a

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

Deferred Outflows and Deferred Inflows of Resources

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS**

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

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

	Foundation	Services	Lodging	Total
Changes in Net Assets Without Donor Restrictions				
Revenues and Other Additions:				
Contributions	696,474			

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

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

	Foundation	Student Services	Student Lodging	Total
Changes in Net Assets Without Donor Restrictions				
Revenues and Other Additions:				
Contributions	\$ 325,777	\$ -	\$ -	\$ 325,777
Sales and Services	-	2,736,495	-	2,736,495
Investment Income	(85,785)	-	10,856	(74,929)
Change in Value of Charitable Gift Annuities	(2,134)	-	-	(2,134)
Change in Value of Fair Value of Interest Rate Swaps	-	-	440,949	440,949
Rental Income	-	15,773,898	6,628,159	22,402,057
Other Revenues and Gains	-	2,023,589	(14,142)	2,009,447
Net Assets Released from Restrictions	1,624,200	-	-	1,624,200
Total Revenues and Other Additions	1,862,058	20,533,982	7,065,822	29,461,862
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	1,336,909	-	-	1,336,909

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

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

	2019	2018
Component Units Due to University, Net	\$ 4,366,049	\$ 3,207,361
Activity Fees Due to Student Services, Inc. not Remitted by the University	-	326,419
Revenues Recorded Based on FASB Standards	-	(109,184)
University Due from Component Units	\$ 4,366,049	\$ 3,424,596

NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of \$1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals \$67,653,728 and \$67,570,422 at June 30, 2019 and 2018, respectively.

Board of Governors' Policy 1986-02-A, *Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the board or University trustees may be invested in the investments described above as well as in

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

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

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued):

In addition, the fair value of certain investments that do not have a readily determinable fair

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following as of June 30, 2018:

	Beginning Balance July 1, 2017	Additions	Retirements	Reclassifications	Ending Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land	\$ 594,260	\$ -	\$ -	-	

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2019</u>	<u>2018</u>
Employees	\$ 9,757,776	\$ 9,345,742
Supplies and Services	3,385,707	3,351,083
Interest	89,252	96,606
Total	<u>\$ 13,232,735</u>	<u>\$ 12,793,431</u>

NOTE 6 LEASES

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 71,891
2021	71,891
2022	71,891
Total	<u>\$ 215,673</u>

Total rent expense was \$2,526,002 and \$2,415,471 for the years ended June 30, 2019 and 2018, respectively.

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

	<u>2019</u>	<u>2018</u>
Balance - July 1	\$ 486,507	\$ 384,491
Increases	2,853,192	206,407
Repayments	(139,005)	(104,391)
Balance - June 30	<u>\$ 3,200,694</u>	<u>\$ 486,507</u>

At June 30, 2019 and 2018, capital assets include equipment under capital lease of \$3,535,661 and \$682,469, respectively, which is reported net of accumulated depreciation of \$574,879 and \$201,363, respectively.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 LEASES (CONTINUED)

Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 765,919
2021	765,296
2022	675,670
2023	646,978
2024	619,131
Total	<u>3,472,994</u>
Less: Amounts Representing Interest on Capital Leases	<u>(272,300)</u>
Present Value of Net Minimum Lease Payments	3,200,694
Less: Current Portion	<u>716,102</u>
Long-Term Capital Lease Obligations	<u><u>\$ 2,484,592</u></u>

NOTE 7 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 BONDS PAYABLE (CONTINUED)

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 BONDS PAYABLE (CONTINUED)

Bonds outstanding as of June 30, 2018 were as follows:

	Weighted Average Interest Rate	Balance July 1, 2017	Bonds Issued	Bonds Redeemed	Balance June 30, 2018
Series AG Used for Refunding of Series Q					
Final Maturity June 2018	4.52 %	\$ 144,629	\$ -	\$ (144,629)	\$ -
Series AI Used for Installation of Sprinklers					
Final Maturity June 2025	4.27 %	1,043,758	-	(137,740)	906,018
Series AJ Used for SMC Recreation Center, Guaranteed Energy Savings Agreement ("GESA") Project, Education Building Renovations and Infrastructure					
Final Maturity June 2029	4.86 %	8,254,067	-	(580,401)	7,673,666
Series AK Used for Refunding of Series S					
Final Maturity June 2020	4.00 %	439,683	-	(140,558)	299,125
Series AL Used for Sprinklers and Union/Recreation Center					
Final Maturity June 2030	5.00 %	8,311,547	-	(509,026)	7,802,521
Series AM Used for Visual and Performing Arts Center					
Final Maturity June 2031	4.66 %	14,167,898	-	(780,680)	13,387,218
Series AP Used for Residence Hall Refunded AA					
Final Maturity June 2024	4.60 %	2,290,988	-	(291,646)	1,999,342
Series AQ Used for Refunding of Residence, Buildings, Infrastructure					
Final Maturity June 2026	4.65 %	8,744,514	-	(838,960)	7,905,554
Series AR Used for Dining Hall Renovations					
Final Maturity June 2035	3.95 %	9,161,620	-	(389,261)	8,772,359
Series AS Used for Infrastructure Refunded AF					
Final Maturity June 2027	3.83 %	1,399,691	-	(58,807)	1,340,884
Total Bonds Payable		<u>\$ 53,958,395</u>	<u>\$ -</u>	<u>\$ (3,871,708)</u>	50,086,687
Plus: Unamortized Bond Premium					<u>2,699,083</u>
Outstanding at June 30, 2018					52,785,770
Less: Current Portion					<u>(4,459,658)</u>
Bonds Payable, Net of Current Portion					<u><u>\$ 48,326,112</u></u>

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 BONDS PAYABLE (CONTINUED)

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

Series		2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	Total
AJ	Principal	640,070	672,402	704,733	740,123	777,572	3,529,030	-	-	7,063,930
	Interest	337,590	305,587	271,967	236,730	199,724	502,989	-	-	1,854,587
	Total	977,660	977,989	976,700	976,853	977,296	4,032,019	-	-	8,918,517
AK	Principal	152,252	-	-	-	-	-	-	-	152,252
	Interest	6,090	-	-	-	-	-	-	-	6,090
	Total	158,342	-	-	-	-	-	-	-	158,342
AL	Principal	560,939	589,147	554,824	582,400	612,182	3,548,449	819,552	-	7,267,493
	Interest	363,375	335,328	305,870	278,129	249,009	754,528	40,978	-	2,327,217
	Total	924,314	924,475	860,694	860,529	861,191	4,302,977	860,530	-	9,594,710
AM	Principal	881,884	940,391	999,978	1,066,727	1,137,799	5,378,603	2,156,296	-	12,561,678
	Interest	585,508	541,414	494,394	444,395	388,392	1,182,454	152,000	-	3,788,557
	Total	1,467,392	1,481,805	1,494,372	1,511,122	1,526,191	6,561,057	2,308,296	-	16,350,235
AP	Principal	312,134	324,185	337,442	354,314	371,183	-	-	-	1,699,258
	Interest	78,600	66,114	53,147	36,275	18,559	-	-	-	252,695
	Total	390,734	390,299	390,589	390,589	389,742	-	-	-	1,951,953
AQ	Principal	925,022	972,474	1,019,939	1,071,414	1,125,305	1,910,617	-	-	7,024,771
	Interest	351,239	304,987	256,364	205,367	151,796	131,981	-	-	1,401,734
	Total	1,276,261	1,277,461	1,276,303	1,276,781	1,277,101	2,042,598	-	-	8,426,505
AR	Principal	413,908	427,993	442,077	459,683	473,768	2,588,070	8,768,005	Tw()-11.-11.1()-7869.5(2,5)-10.3(8807 7E510121.1(

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,708,543 for the System Plan, \$2,348,652 for the REHP plan, and \$17,249 for the Premium Assistance plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Fiscal Year Ended	Amortization		
	System Plan	REHP	Premium Assistance
June 30, 2020	\$ (3,985,070)	\$ (5,872,252)	\$ (923)
June 30, 2021	(3,985,070)	(5,872,252)	(1,000)
June 30, 2022	(3,985,070)	(5,872,252)	(1,000)
June 30, 2023	(3,985,070)	(5,405,220)	(1,000)
June 30, 2024	(2,258,721)	(3,184,710)	(1,077)
Thereafter	-	3,153,757	1,690
	<u>\$ (18,199,001)</u>	<u>\$ (23,052,929)</u>	<u>\$ (3,310)</u>

System Plan

Plan Description

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

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

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Healthcare cost trend rate of 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Annual Salary increase of 4%

90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.

The cost due to the excise tax under the Patient Protection and Affordable Care Act beginning in 2022 is 40% of the projected premiums in excess of the annual limits, calculated using an inflation rate of 2%.

The annual cost of living increase beginning in 2018 is assumed to be 2.2% per year.

Retiree premium cost sharing is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate.

Mortality rates based on the RP-2014 Total Mortality Tables, which incorporate rates based on a generational projection using Scale MP-2018 to reflect mortality improvement, updated from Scale MP-2017.

The discount rate decreased from 3.13% to 2.98%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2018.

Participant data is based on census information as of July 1, 2018.

Experience assumptions for withdrawal and retirement, expected vs. actual, and election percentages were reviewed in 2019, and it was determined that the results were reasonable and did not warrant a further formal study.

Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's net OPEB liability at June 30, 2019 and 2018, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

Sensitivity of the University's Proportionate Share of the System Plan's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.5% decreasing to 2.8%)	Healthcare Cost Trend Rates (5.5% decreasing to 3.8%)	1% Increase (6.5% decreasing to 4.8%)
2019	\$ 79,609,779	\$ 95,089,062	\$ 115,120,253
	1% Decrease (5.0% decreasing to 2.9%)	Healthcare Cost Trend Rates (6.0% decreasing to 3.9%)	1% Increase (7.0% decreasing to 4.9%)
2018	\$ 87,451,300	\$ 105,619,527	\$ 129,332,143

The following presents the University's net OPEB liability at June 30, 2019 and 2018, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the University's Proportionate Share of the System Plan's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease (1.98%)	Current Rate (2.98%)	1% Increase (3.98%)
2019	\$ 111,604,756	\$ 95,089,062	\$ 81,987,203
	1% Decrease (2.13%)	Current Rate (3.13%)	1% Increase (4.13%)
2018	\$ 124,484,833	\$ 105,619,527	\$ 90,727,322

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

OPEB Liability

The University's total OPEB liability of \$95,089,062 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018. The University's total OPEB liability of \$105,619,527 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016, that was rolled forward to July 1, 2017.

University's Proportionate Share of the System Plan OPEB Liability

Determined as of the June 30 measurement dates

Changes in the University's Proportionate Share of the System Plan Total OPEB Liability	Fiscal Year Ending	
	June 30, 2019	June 30, 2018
Total OPEB Liability - Beginning Balance	\$ 105,619,527	\$ 109,689,232
Service Cost	3,064,631	1,997,487
Interest	3,345,796	1,619,822
Changes in Benefit Terms	(73,671)	-
Net Differences Between Actual and Expected Experience	(12,718,748)	-
Changes in Assumptions	(834,958)	(5,881,263)
Benefit Payments	(3,313,515)	(1,805,751)
Net Changes	<u>(10,530,465)</u>	<u>(4,069,705)</u>
Total OPEB Liability - Ending Balance	<u>\$ 95,089,062</u>	<u>\$ 105,619,527</u>

REHP

Plan Description

The Retired Employees Health Program (REHP) is a single-employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Plan Description (Continued)

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

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2019.

Plan members who retired prior to July 1, 2005, are not required to make contributions.

Plan members who retired on or after July 1, 2005, and prior to July 1, 2007, pay 1% of their final annual salary.

Plan members who retired on or after July 1, 2007, and prior to July 1, 2011, pay 3% of either final gross annual base salary or final average salary, whichever is less. Members eligible for Medicare pay 1.5% of either final gross annual base salary or final average salary, whichever is less.

Plan members who retire on or after July 1, 2011, pay 3% of final average salary. Members eligible for Medicare pay 1.5% of final gross annual base salary.

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$300 for each current REHP eligible active employee during the fiscal year ended June 30, 2019. The rate during the period July 1, 2017 through January 18, 2018 was \$300, and the rate from January 19, 2018 through June 30, 2018, was \$188.

Actuarial Assumptions and Other Inputs

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

Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.

Inflation of 2.60%.

Healthcare cost trend rate of 6.2%, with rates gradually decreasing to 4.1% in 2075 and later based on the SOA-Getzen trend rate model version 20160 TD.0012 Tc.098 Twa.actually

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	47.0 %	6.6 %
International Equity	20.0	8.6
Fixed Income	25.0	3.0
Real Estate	8.0	6.9
Cash	-	1.0
Total	<u>100.0 %</u>	

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Mortality rates and retirement ages were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The discount rate used to measure the total OPEB liability was 2.98% at June 30, 2018 and 3.13% at June 30, 2017.

Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond yield as of 6/30/18.

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The actuarial valuation on which the total Premium Assistance OPEB liability is based was dated June 30, 2017, and rolled forward to June 30, 2018. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1836% for the measurement date of June 30, 2018.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019 and 2018, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

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

	1% Decrease (between 4% and 6.75%)	Healthcare Cost Trend Rates (Between 5% and 7.75%)	1% Increase (between 6% and 8.75%)
2019	\$ 294,510	\$ 294,588	\$ 294,664
	1% Decrease (between 4% and 7%)	Healthcare Cost Trend Rates (Between 5% and 8%)	1% Increase (between 6% and 9%)
2018	\$ 296,179	\$ 296,259	\$ 296,339

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019 and 2018, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate used.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Fiduciary Net Position

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

[ylvani0009 Ta St of Em](#)

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

	SERS		PSERS		ARP		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Net Pension Liabilities	\$ 84,007,004	\$ 71,288,762	\$ 6,667,269	\$ 7,219,508	\$ -	\$ -	\$ 90,674,273	\$ 78,508,270
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	\$ 1,260,656	\$ 1,205,346	\$ 53,633	\$ 75,309	\$ -	\$ -	\$ 1,314,289	\$ 1,280,655
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	8,173,386	-	32,679	167,327	-	-	8,206,065	167,327
Changes in Assumptions	2,238,152	3,569,134	124,287	196,143	-	-	2,362,439	3,765,277
Difference Between Employer Contributions and Proportionate Share of Contributions	-	-	26,319	40,870	-	-	26,319	40,870
Changes in Proportion	1,204,887	1,704,317	113,773	129,309	-	-	1,318,660	1,833,626
Contributions After the Measurement Date	4,715,540	4,548,280	680,309	596,066	-	-	5,395,849	5,144,346
Total Deferred Outflows of Resources	\$ 17,592,621	\$ 11,027,077	\$ 1,031,000	\$ 1,205,024	\$ -	\$ -	\$ 18,623,621	\$ 12,232,101
Deferred Inflows of Resources								
Difference Between Expected and Actual Experience	\$ 910,300	\$ 1,353,599	\$ 103,182	\$ 43,587	\$ -	\$ -	\$ 1,013,482	\$ 1,397,186
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	2,834,403	-	-	-	-	-	2,834,403
Difference Between Employer Contributions and Proportionate Share of Contributions	448,733	411,715	-	-	-	-	448,733	411,715
Changes in Proportion	664,433	1,117,740	70,427	104,690	-	-	734,860	1,222,430
Total Deferred Inflows of Resources	\$ 2,023,466	\$ 5,717,457	\$ 173,609	\$ 148,277	\$ -	\$ -	\$ 2,197,075	\$ 5,865,734
Pension Expense	\$ 10,631,248	\$ 11,639,035	\$ 1,061,575	\$ 1,596,010	\$ 3,342,061	\$ 3,261,782	\$ 15,034,884	\$ 16,496,827
Contributions Recognized by Pension Plans	\$ 8,172,542	\$ 7,800,771	\$ 680,309	\$ 596,066	N/A	N/A	\$ 8,852,851	\$ 8,396,837

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

The University will recognize the \$4,715,540 reported as 2019 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$680,309 reported as 2019 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows.

<u>Year Ending June 30,</u>	Amortization	
	SERS	PSERS
2020	\$ 4,083,542	\$ 191,583
2021	2,284,433	72,151
2022	1,504,197	(62,498)
2023	2,963,222	(24,154)
2024	18,221	-
Total	\$ 10,853,615	\$ 177,082

SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit plan. SERS also is the administrator of the State Employees' Defined Contribution Plan, which was established as part of Commonwealth Act 2017-5. Both the defined benefit plan and the defined contribution plan were established by the Commonwealth to provide retirement benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided

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

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

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

Contributions

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

For the SERS defined benefit plan, the University's actuarially determined contribution rate for most active members was 34.63% of active members' annual covered payroll at June 30, 2019, with less common rates ranging between 23.94% and 27.71%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the University's actuarially determined contribution rate was either 16.17% or 16.42% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the University was required to contribute to the defined benefit plan 14.89% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University contribution to the SERS defined benefits plan for the year ended June 30, 2019, 2018, and 2017 were \$8,172,542, \$7,800,771, \$7,038,441, and \$5,649,586, respectively, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Fiduciary Net Position

The fiduciary net positions of SERS, as well as additions to and deductions from SERS fiduciary net position, have been determined on the same basis as they are reported in the SERS financial statements, which can be found at www.sers.state.pa.us.

Proportionate Share

At June 30, 2019, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2018, was \$84,007,004. At June 30, 2018, the amount recognized as the State System's proportionate share of the SERS net pension liability, measured at December 31, 2017, was \$71,288,762.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2018 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2019/20, from the December 31, 2018, funding valuation, to the expected funding payroll. For the allocation of the December 2017 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2018/19, from the December 31, 2017, funding valuation, to the expected funding payroll. At the December 31 2018 measurement date, the State System's proportion was 4.897%, a decrease of 0.009% from its proportion calculated as of the December 31, 2017 measurement date.

PSERS

Plan Description

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

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PSERS and additions to or deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported in the PSERS's financial statements. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found at www.psers.state.pa.us.

Proportionate Share

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

	2019	2018
Total PSERS Net Pension Liability		
Associated with the University	\$ 13,334,538	\$ 14,439,016
Commonwealth's Proportionate Share of the PSERS Net Pension Liability		
Associated with the University	6,667,269	7,219,508

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 14 CONTINGENCIES (CONTINUED)

Cheyney University Loan Forgiveness

On August 22, 2017, the Board of Governors (Board) approved a motion to forgive \$34.4 million in loans made to Cheyney University of Pennsylvania (Cheyney University or Cheyney) from the other 13 State System universities and the Office of the Chancellor, provided that Cheyney meets certain conditions that hold Cheyney accountable for operating within available financial resources. The plan states that one-third will be forgiven if Cheyney reduces \$7.5 million of annual expenses from its fiscal year 2017/18 current operations and maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2018/19, one-third will be forgiven when Cheyney maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2019/20, and the remaining third will be forgiven when Cheyney maintains a balanced budget of revenues greater than or equal to annual expenses in fiscal year 2020/21. While the Board's loan forgiveness plan for Cheyney University remains in effect, the Board has not yet made a determination regarding the first installment of debt forgiveness.

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

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

NOTE 15 RATING ACTIONS

In August 2019, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3 with an outlook of *Fit* ~~R~~ *Syststherirmervice, Inc. maintaiTc.0coua*

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 16 SUBSEQUENT EVENTS

In September 2019, PHEFA issued Series AW tax-exempt revenue bonds in the amount of \$84,980,000. The net proceeds from the Series AW revenue bonds were used to finance replacement of HVAC equipment at Bloomsburg University and to reimburse the acquisition of parking garages at West Chester University, as well as to current refund portions of Series AJ and Series AK revenue bonds. The refunding was performed to reduce debt service by approximately \$14,000,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,500,000. In connection with the bond issuance, the State System entered into a loan agreement with PHEFA under e

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)**

University's Proportionate Share of the System Plan OPEB Liability
Determined as of the June 30 measurement dates

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

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

Share of Net REHP's Fiduciary

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)**

Schedule of Proportionate Share of PSERS Net OPEB Liability
Determined as of June 30, PSERS Measurement Date

Fiscal Year	State System's Proportion	University's Proportion Share	University's Proportion Share	Total	University's Covered Employee Payroll	University's Proportionate Share of Net Liability as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
2017/18	0.18110%	\$ 296	\$ 296	\$ 592	\$ 3,873	7.65 %	5.73 %
2018/19	0.18360%	\$ 295	\$ 295	\$ 590	\$ 3,804	7.74%	5.56%

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)**

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

Fiscal Year	State System's Proportion	University's Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered- Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	4.901 %	\$ 59,723	\$ 24,359	245 %	64.8 %
2015/16	4.721 %	\$ 70,203	\$ 24,348	288 %	58.9 %
2016/17	4.837 %	\$ 76,256	\$ 24,622	310 %	57.8 %
2017/18	4.906 %	\$ 71,289	\$ 25,974	275 %	63.0 %
2018/19	4.897 %	\$ 84,007	\$ 26,229	320 %	56.4 %

SERS Scib2014in thousands)

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

**MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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

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

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