

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Slippery Rock University of Pennsylvania
of the State System of Higher Education
Slippery Rock, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component units of Slippery Rock University of Pennsylvania of the State System of Higher Education ("University"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, Slippery Rock Student Government Association and Slippery Rock University Foundation, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those 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 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the aggregate discretely presented component units of the University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended June 30, 2015. As a result of the implementation of GASB Statements No. 68 and 71, the University reported a restatement for the change in accounting principle and a summary of the restatement is presented in Note 1. Our auditors’ opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress for the System Plan and REHP (OPEB) on page 50 and the Schedules of Proportionate Share of Pension Liability (NPL) on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 30, 2015

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2015 AND 2014**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 78,557,421	\$ 75,264,928
Accounts Receivable:		
Governmental Grants and Contracts	1,226,565	1,148,697
Students, Net of Allowance for Doubtful Accounts of \$2,583,193 in 2015 and \$2,408,946 in 2014	2,648,598	2,476,551
Other	153,431	71,706
Due from Component Unit	2,824,602	2,571,519
Inventories	497,562	503,774
Prepaid Expenses and Other Assets	254,634	201,694
Current Portion of Conversion Pay Receivable	9,101	13,309
Current Portion of Loans Receivable	729,993	674,007
Investment Income Receivable	97,987	86,602
Total Current Assets	<u>86,999,894</u>	<u>83,012,787</u>
NONCURRENT ASSETS		
Conversion Pay Receivable	3,671	4,484
Loans Receivable, Net	4,160,148	4,175,136
Capital Assets, Net	<u>115,599,239</u>	<u>118,552,865</u>
Total Noncurrent Assets	<u>119,763,058</u>	<u>122,732,485</u>
 Total Assets	 206,762,952	 205,745,272
DEFERRED OUTFLOWS OF RESOURCES		
	<u>4,648,317</u>	<u>12,385</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 211,411,269</u>	<u>\$ 205,757,657</u>

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2015 AND 2014**

	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 11,352,096	\$ 10,789,401
Unearned Revenue	5,426,021	5,205,241
Students' Deposits	731,644	633,662
Other Current Liabilities	111,464	18,438
Workers' Compensation	349,802	370,664
Compensated Absences and Postretirement Benefit Obligations	659,599	514,405
Bond Premium (Unamortized)	267,559	281,385
Bonds Payable	3,029,376	2,969,300
Capital Lease Obligations	21,999	21,034
Due to System, AFRP	330,628	317,598
Total Current Liabilities	22,280,188	21,121,128
NONCURRENT LIABILITIES		
Workers' Compensation	383,357	440,721
Compensated Absences and Postretirement Benefit Obligations	89,647,517	86,080,187
Net Pension Liability	57,549,125	-
Bond Premium (Unamortized)	1,592,585	1,733,458
Bonds Payable	32,852,016	36,005,347
Capital Lease Obligations	81,493	9,830
Unearned Revenue	1,245,249	1,555,250
Due to System, AFRP	2,127,139	2,460,292
Other Noncurrent Liabilities	4,655,037	4,566,767
Total Noncurrent Liabilities	190,133,518	132,851,852
Total Liabilities	212,413,706	153,972,980
DEFERRED INFLOWS OF RESOURCES	1,115,503	-
NET POSITION		
Net Investment in Capital Assets	75,269,073	74,779,741
Restricted:		
Nonexpendable:		
Student Loans	733,121	733,121
Expendable:		
Scholarships and Fellowships	109,965	103,645
Capital Projects	1,436,231	835,821
Other	125,305	161,743
Unrestricted	(79,791,635)	(24,829,394)
Total Net Position	(2,117,940)	51,784,677
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 211,411,269	\$ 205,757,657

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK 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, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Tuition and Fees	\$ 82,762,229	\$ 78,179,096
Less: Scholarship Discounts and Allowances	(19,123,771)	(18,767,644)
Net Tuition and Fees	63,638,458	59,411,452
Governmental Grants and Contracts:		
Federal	891,252	859,009
State	7,338,638	7,738,315
Local	3,958,113	3,545,541
Sales and Services of Educational Departments	2,719,498	2,801,532
Nongovernmental Grants and Contracts	37,389	87,761
Auxiliary Enterprises, Net of Scholarship Discounts and Allowances of \$295,554 in 2015 and \$289,347 in 2014	22,779,701	21,599,709
Other Revenues	506,111	397,536
Total Operating Revenues	101,869,160	96,440,855
OPERATING EXPENSES		
Instruction	54,096,852	50,742,152
Research	144,348	130,703
Public Service	1,491,553	1,379,796
Academic Support	11,867,355	10,518,281
Student Services	14,339,847	13,253,556
Institutional Support	18,610,596	23,835,590
Operations and Maintenance of Plant	15,154,192	14,482,560
Depreciation	7,331,204	7,223,942
Student Aid	6,526,109	6,384,909
Auxiliary Enterprises	17,519,431	17,114,181
Total Operating Expenses	147,081,487	145,065,670
NET OPERATING LOSS	(45,212,327)	(48,624,815)

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	32,623,254	32,576,803
Pell Grants	10,479,444	10,074,513
Investment Income, Net of Related Investment Expense of \$16,068 in 2015 and \$15,533 in 2014	844,630	780,088
Gifts for than Other Capital Purposes	-	208,046
Interest Expense on Capital Asset-Related Debt	(1,697,855)	(1,490,589)
Loss on Disposal of Assets	(131,507)	(8,034)
Other Nonoperating Revenue	112,567	80,860
Nonoperating Revenues, Net	42,230,533	42,221,687
LOSS BEFORE OTHER REVENUES	(2,981,794)	(6,403,128)
OTHER REVENUES		
State Appropriations, Capital	1,041,138	1,054,919
Capital Gifts and Grants	16,430	17,654
Total Other Revenues	1,057,568	1,072,573
CHANGE IN NET POSITION	(1,924,226)	(5,330,555)
Net Position, Beginning of Year	51,784,677	57,115,232
Restatement for GASB 68, Pension Liability and Related Expense	(51,978,391)	-
Net Position, Beginning of Year, As Restated	(193,714)	57,115,232
NET POSITION, END OF YEAR	\$ (2,117,940)	\$ 51,784,677

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Tuition and Fees	\$ 63,897,011	\$ 60,769,069
Grants and Contracts	12,149,930	11,968,608
Payments to Suppliers for Goods and Services	(33,070,101)	(32,500,112)
Payments to Employees	(94,322,589)	(93,150,607)
Loans Issued to Students	(725,606)	(967,804)
Loans Collected from Students	684,608	717,703
Student Aid	(6,631,568)	(6,487,944)
Auxiliary Enterprise Charges	22,398,727	21,293,648
Sales and Services of Educational Departments	2,718,394	2,801,532
Other Operating Receipts	762,647	1,676,038
Net Cash Used by Operating Activities	(32,138,547)	(33,879,869)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations, including Federal ARRA	32,623,254	32,576,803
Gifts and Nonoperating Grants for Other than Capital Purposes	10,479,444	10,282,559
Agency Transactions	(12,595)	12,498
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	72,358,170	68,897,729
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(72,358,170)	(68,897,729)
Other	112,567	80,860
Net Cash Provided by Noncapital Financing Activities	43,202,670	42,952,720
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	1,193,076	-
Capital Appropriations	1,041,138	1,054,919
Capital Grants and Gifts Received	16,430	17,654
Purchases of Capital Assets	(4,402,791)	(3,934,216)
Principal Paid on Capital Debt	(4,472,825)	(9,257,718)
Interest Paid on Capital Debt	(1,979,903)	(2,197,701)
Net Cash Used by Capital Financing Activities	(8,604,875)	(14,317,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	833,245	772,681
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,292,493	(4,471,530)
Cash and Cash Equivalents - Beginning of Year	75,264,928	79,736,458
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 78,557,421	\$ 75,264,928

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (45,212,327)	\$ (48,624,815)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	7,331,204	7,223,942
Changes in Assets and Liabilities:		
Receivables	(251,019)	36,352
Inventory	6,212	8,542
Other Assets	(381,623)	1,360,436
Accounts Payable	563,105	(95,926)
Unearned Revenue	(89,221)	(180,433)
Students' Deposit	97,982	82,661
Compensated Absences	(53,329)	120,385
Loans to Students and Employees	(40,998)	(250,101)
Other Liabilities	5,891,467	6,439,088
Net Cash Used by Operating Activities	\$ (32,138,547)	\$ (33,879,869)
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL FINANCING ACTIVITIES		
Accounts Payable for Construction	\$ -	\$ 179,304
Capital Lease	106,294	-

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,746,262	\$ 10,038,379
Investments	24,422,899	23,350,152
Accounts Receivable, Other	1,034,454	764,816
Pledges Receivable	1,191,805	1,390,704
Prepaid Expenses	8,596	10,489
Inventories	880,829	892,882
Total current assets	38,284,845	36,447,422
NONCURRENT ASSETS		
Capital Assets, Net	99,963,544	103,576,094
Other Assets	27,709,644	27,199,465
Total Noncurrent Assets	127,673,188	130,775,559
Total Assets	\$ 165,958,033	\$ 167,222,981
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 149,909	\$ 89,520
Capitalized Leases	10,325	21,217
Due to University	2,824,602	2,571,519
Annuity Liabilities	475,164	532,225
Other Liabilities	8,418,082	8,547,913
Total current liabilities	11,878,082	11,762,394
NONCURRENT LIABILITIES		
Bonds Payable	118,075,000	120,395,000
Total Liabilities	129,953,082	132,157,394
NET ASSETS		
Unrestricted	10,176,547	10,315,708
Temporarily Restricted	9,950,355	9,672,010
Permanently Restricted	15,878,049	15,077,869
Total Net Assets	36,004,951	35,065,587
Total Liabilities and Net Assets	\$ 165,958,033	\$ 167,222,981

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND OTHER ADDITIONS		
Contributions	\$ 84,349	\$ 373,303
Investment Income	21,727	20,163
Rental Income	14,757,886	14,413,755
Sales and Service	4,593,163	4,815,204
Student Activity Fees	2,271,817	2,222,518
Other Revenues	1,976,097	1,825,089
Net Assets Released from Restriction	1,455,761	2,649,293
Total Revenues and Other Additions	25,160,800	26,319,325
EXPENSES AND OTHER DEDUCTIONS		
Program services:		
Scholarships and Grants	1,694,412	1,538,096
Student Activities	2,180,629	2,064,027
University Store	3,996,749	4,023,083
Housing	14,730,726	14,207,888
Other University Support	995,415	1,017,185
Management and General	889,578	790,853
Transfer of Surplus to University	-	397,551
Fundraising	792,962	869,640
Actuarial Losses on Annuities Payable	19,490	65,925
Total Expenses and Other Deductions	25,299,961	24,974,248
Change in Unrestricted Net Assets	(139,161)	1,345,077
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,401,813	1,138,452
Investment Income	568,519	3,717,265
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	(1,691,987)	(2,649,293)
Change in Temporarily Restricted Net Assets	278,345	2,206,424
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	1,036,406	1,100,465
INCREASE IN NET ASSETS	1,175,590	4,651,966
Net Assets - Beginning of Year	35,065,587	30,413,621
NET ASSETS - END OF YEAR	\$ 36,241,177	\$ 35,065,587

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Slippery Rock University of Pennsylvania of the State System of Higher Education (the "University"), a public four year institution located in Slippery Rock, Pennsylvania, was founded in 1889. The University is one of fourteen universities of the 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").

The Commonwealth determines the State appropriation allocated to the State System. The State System determines the allocation to each University from the state appropriated amount. Tuition rates are set by the Board of Governors of the State System, for all fourteen member universities. Labor agreements are negotiated at either the State System level or Commonwealth level.

Reporting Entity

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

The Slippery Rock Student Government Association (the "Association") is a legally separate, tax-exempt entity, which is responsible for the operations of the University Store and community activities. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of June 30, 2015 and 2014.

The Slippery Rock University Foundation (the "Foundation") is a legally separate, tax-exempt entity, which acts primarily as a fund-raising organization and supplements the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University received payments from the Foundation of \$435,736 and \$397,551 during the years ended June 30, 2015 and 2014, respectively. The financial activity of the Foundation is presented as of June 30, 2015 and 2014.

Complete financial statements for the Association and the Foundation may be obtained at the University's administrative office.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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

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. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Statement No. 117, *Financial Reporting for Not-for-profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

Operating Revenues and Expenses

The University records tuition; all academic, instructional, and other student fees; student financial aid; auxiliary activity; and corporate partnerships as operating revenue. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the University are recorded as operating revenue. All expenses, with the exception of interest expense on capital asset-related debt and losses on the disposal of assets, are recorded as operating expenses. Appropriations, Pell Grants, investment income, gifts for other than capital purposes, and parking and library fines are reported as nonoperating revenue.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship discount and allowance.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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

Net Position

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

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

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

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

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

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

Cash Equivalents

The University considers all demand and time deposits, money market funds and overnight repurchase agreements to be cash equivalents.

Accounts and Loans Receivable

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

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

Inventories

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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

Capital Assets

Land and buildings at the University's campus acquired or constructed prior to the creation of the State System on July 1, 1983, are owned by the Commonwealth and made available to the University. Since the University neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed utilizing capital funds appropriated by the Commonwealth after June 10, 1983 and made available to the University.

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

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

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2015 and 2014.

Unearned Revenue

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

Compensated Absences

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2015 AND 2014**

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

Pension Plans

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

Deferred Outflows and Deferred Inflows of Resources

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

Deferred outflows of resources, reported after total assets, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). The University reports as deferred outflows of resources its deferred loss on bond defeasance, which results when the carrying value of a defeased bond is less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter. And for defined benefit pension plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the University's proportion of expenses and liabilities to the pension as a whole, differences between the University's pension contributions and its proportionate share of contributions, and University's pension contributions subsequent to the pension valuation measurement date.

Deferred inflows of resources, reported after total liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The University reports as deferred inflows of resources the following. Defined benefit pension plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the University's proportion of expenses and liabilities to the pension as a whole, differences between the University's pension contributions and its proportionate share of contributions, and University's pension contributions subsequent to the pension valuation measurement date.

Scholarships and Waivers

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

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Reclassifications

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

New Accounting Standards

The University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the University to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS). The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the *2015 Net position—beginning of year*. SERS and PSERS were not able to provide sufficient information to restate the June 30, 2014, financial statements.

	2015
Net Position, Beginning of Year, as Previously Reported	\$ 51,784,677
GASB 68, Balance of the Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(51,978,391)
Net Position, Beginning of Year, as Restated	\$ (193,714)

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

New Accounting Standards (Continued)

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and is effective for financial statements for reporting periods beginning after June 15, 2015. The University has determined that Statement No. 72 will have no effect on its financial statements other than to change the disclosure information for its investments.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined contribution pensions and defined benefit pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statements No. 67 and 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2016. The University has determined that Statement No. 73 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These statements establish new accounting and financial reporting requirements for governments whose employees are provided with OPEB (other postemployment benefits), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. These statements will require the University to record its postretirement health care liability in its entirety at June 30, 2015, the University's accrued postretirement health care liability, as calculated by the actuaries, was \$85,944,000, but under current GASB requirements, the amount recorded on the balance sheet as a liability was \$81,669,000. The University expects that the amount recorded on the balance sheet as a postretirement health care liability will increase when Statement No. 75 is implemented, but the amount cannot be calculated until a new actuarial valuation is performed under the new standards. Furthermore, Statement No. 75 will require that the University record the liability for its employees who participate in the Commonwealth's Retired Employees Health Plan (REHP). Under current GASB standards, the State System does not report a share of the REHP's unfunded liability since the REHP is a multiple-employer cost-sharing plan administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). The amount that the State System will have to record as its share of the liability when Statement No. 75 becomes effective is unknown; however, the Commonwealth has advised the State System that its share of the liability at June 30, 2015, is \$73,032,000. The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016; the provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 modifies the GAAP hierarchy, which are the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP. The provisions in Statement No. 76 are effective for reporting periods beginning after June 15, 2015. The University has determined that Statement No. 76 will have no effect on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The University has determined that Statement No. 77 will have no effect on its financial statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2015:

	<u>Association</u>	<u>Foundation</u>	<u>Total</u>
Capital Assets, Net	\$ 4,726,331	\$ 95,237,213	\$ 99,963,544
Other Assets	12,207,743	53,786,746	65,994,489
Total Assets	<u>\$ 16,934,074</u>	<u>\$ 149,023,959</u>	<u>\$ 165,958,033</u>
Due to University	\$ -	\$ 2,824,602	\$ 2,824,602
Long-Term Debt	-	118,075,000	118,075,000
Other Liabilities	582,515	8,470,965	9,053,480
Total Liabilities	<u>\$ 582,515</u>	<u>\$ 129,370,567</u>	<u>\$ 129,953,082</u>
Net Assets:			
Unrestricted	\$ 16,351,559	\$ (6,175,012)	\$ 10,176,547
Temporarily Restricted	-	9,950,355	9,950,355
Permanently Restricted	-	15,878,049	15,878,049
Total Net Assets	<u>\$ 16,351,559</u>	<u>\$ 19,653,392</u>	<u>\$ 36,004,951</u>

The following represents combining condensed statement of financial position information for the component units as of June 30, 2014:

	<u>Association</u>	<u>Foundation</u>	<u>Total</u>
Capital Assets, Net	\$ 4,831,946	\$ 98,744,148	\$ 103,576,094
Other Assets	11,323,346	52,323,541	63,646,887
Total Assets	<u>\$ 16,155,292</u>	<u>\$ 151,067,689</u>	<u>\$ 167,222,981</u>
Due to University	\$ -	\$ 2,571,519	\$ 2,571,519
Long-Term Debt	-	120,395,000	120,395,000
Other Liabilities	541,339	8,649,536	9,190,875
Total Liabilities	<u>\$ 541,339</u>	<u>\$ 131,616,055</u>	<u>\$ 132,157,394</u>
Net Assets:			
Unrestricted	\$ 15,613,953	\$ (5,298,245)	\$ 10,315,708
Temporarily Restricted	-	9,672,010	9,672,010
Permanently Restricted	-	15,077,869	15,077,869
Total Net Assets	<u>\$ 15,613,953</u>	<u>\$ 19,451,634</u>	<u>\$ 35,065,587</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2015:

	<u>Association</u>	<u>Foundation</u>	<u>Total</u>
Changes in Unrestricted Net Assets			
Revenues and Other Additions:			
Contributions	\$ 1,134	\$ 83,215	\$ 84,349
Investment Income	21,727	-	21,727
Rental Income	-	14,757,886	14,757,886
Sales and Service	4,121,104	472,059	4,593,163
Student Activity Fees	2,271,817	-	2,271,817
Other Revenues	758,335	1,217,762	1,976,097
Net Assets Released from Restriction	-	1,455,761	1,455,761
Total Revenues and Other Additions	<u>7,174,117</u>	<u>17,986,683</u>	<u>25,160,800</u>
Expenses and Other Deductions:			
Program Services:			
Scholarships and Grants	-	1,694,412	1,694,412
Student Activities	2,180,629	-	2,180,629
University Stores	3,996,749	-	3,996,749
Housing	-	14,730,726	14,730,726
Other University Support	-	995,415	995,415
Management and General	259,133	630,445	889,578
Fundraising	-	792,962	792,962
Actuarial Losses on Annuities Payable	-	19,490	19,490
Total Expenses and Other Deductions	<u>6,436,511</u>	<u>18,863,450</u>	<u>25,299,961</u>
Increase (Decrease) in Unrestricted Net Assets	737,606	(876,767)	(139,161)
Changes in Temporarily Restricted Net Assets			
Contributions	-	1,401,813	1,401,813
Investment Income	-	568,519	568,519
Net Assets Released from Restrictions	-	(1,691,987)	(1,691,987)
Decrease in Temporarily Restricted Net Assets	-	278,345	278,345
Changes in Permanently Restricted Net Assets			
Contributions	-	800,180	800,180
INCREASE IN NET ASSETS	737,606	201,758	939,364
Net Assets - Beginning	<u>15,613,953</u>	<u>19,451,634</u>	<u>35,065,587</u>
NET ASSETS - ENDING	<u>\$ 16,351,559</u>	<u>\$ 19,653,392</u>	<u>\$ 36,004,951</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2015 AND 2014**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2014:

	<u>Association</u>	<u>Foundation</u>	<u>Total</u>
Changes in Unrestricted Net Assets			
Revenues and Other Additions:			
Contributions	\$ 597	\$ 372,706	\$ 373,303
Investment Income	20,163	-	20,163
Rental Income	-	14,413,755	14,413,755
Sales and Service	4,212,101	603,103	4,815,204
Student Activity Fees	2,222,518	-	2,222,518
Other Revenues	514,230	1,310,859	1,825,089
Net Assets Released from Restriction	-	2,649,293	2,649,293
Total Revenues and Other Additions	<u>6,969,609</u>	<u>19,349,716</u>	<u>26,319,325</u>
Expenses and Other Deductions:			
Program Services:			
Scholarships and Grants	-	1,538,096	1,538,096
Student Activities	2,064,027	-	2,064,027
University Stores	4,023,083	-	4,023,083
Housing	-	14,207,888	14,207,888
Other University Support	-	1,017,185	1,017,185
Management and General	279,605	511,248	790,853
Transfer of Surplus to University	-	397,551	397,551
Fundraising	-	869,640	869,640
Actuarial Losses on Annuities Payable	-	65,925	65,925
Total Expenses and Other Deductions	<u>6,366,715</u>	<u>18,607,533</u>	<u>24,974,248</u>
Change in Unrestricted Net Assets	602,894	742,183	1,345,077
Changes in Temporarily Restricted Net Assets			
Contributions	-	1,138,452	1,138,452
Investment Income	-	3,717,265	3,717,265
Net Assets Released from Restrictions	-	(2,649,293)	(2,649,293)
Increase in Temporarily Restricted Net Assets	-	2,206,424	2,206,424
Changes in Permanently Restricted Net Assets			
Contributions	-	1,100,465	1,100,465
INCREASE IN NET ASSETS	602,894	4,049,072	4,651,966
Net Assets - Beginning	<u>15,011,059</u>	<u>15,402,562</u>	<u>30,413,621</u>
NET ASSETS - ENDING	<u>\$ 15,613,953</u>	<u>\$ 19,451,634</u>	<u>\$ 35,065,587</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 \$76,298,765 and \$73,449,797 at June 30, 2015 and 2014, respectively.

Board 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 amounts and amounts designated by the Board or university trustees may be invested in the investments described above, as well as corporate equities and approved pooled common funds. For purposes of convenience and expedience, the University uses local financial institutions for activities such as cash deposits. In addition, the University may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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.

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

On June 30, 2015 and 2014, the carrying amount of the University's demand and time deposits were \$2,258,656 and \$1,811,666, respectively, as compared to bank balances of \$2,200,079 and \$1,864,408, respectively. The differences are primarily caused by items in transit and outstanding checks. Of the bank balances at June 30, 2015 and 2014, \$250,000 was covered by federal government depository insurance; and \$1,950,079 and \$1,614,408, respectively, was uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization 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. At June 30, 2015 and 2014, none of the University's demand and time deposits are exposed to foreign currency risk.

NOTE 4 INVESTMENT-COMPONENT UNIT

The fair value of investments at June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Equity Securities	\$ 19,005,907	\$ 18,716,578
Fixed Income	5,228,592	4,445,174
Real Estate	188,400	188,400
Total	<u>\$ 24,422,899</u>	<u>\$ 23,350,152</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 CAPITAL ASSETS, NET

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following:

	Life	2015				Ending Balance June 30, 2015
		Beginning Balance July 01, 2014	Additions	Retirements	Reclassifications	
Land		\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701
Construction in Progress		1,214,988	1,921,258	(127,615)	(469,563)	2,539,068
Total Capital Assets Not being Depreciated		1,226,689	1,921,258	(127,615)	(469,563)	2,550,769
Buildings, including Improvements	40	151,149,822	1,850,482	-	469,563	153,469,867
Improvements Other than Buildings	20	14,324,868	-	-	-	14,324,868
Furnishings and Equipment Including Capital Leases	Varies	20,465,146	663,606	(394,921)	-	20,733,831
Library Books	10	6,588,948	73,741	(53,619)	-	6,609,070
Total Capital Assets being Depreciated		192,528,784	2,587,829	(448,540)	469,563	195,137,636
Less: Accumulated Depreciation:						
Buildings, including Improvements		(46,646,860)	(5,370,554)	-	-	(52,017,414)
Improvements Other than Buildings		(7,483,243)	(680,611)	-	-	(8,163,854)
Furnishings and Equipment Including Capital Leases		(15,050,416)	(1,187,254)	391,029	-	(15,846,641)
Library Books		(6,022,089)	(92,785)	53,617	-	(6,061,257)
Total Accumulated Depreciation		(75,202,608)	(7,331,204)	444,646	-	(82,089,166)
Total Capital Assets being Depreciated, Net		117,326,176	(4,743,375)	(3,894)	469,563	113,048,470
Capital Assets, Net		<u>\$ 118,552,865</u>	<u>\$ (2,822,117)</u>	<u>\$ (131,509)</u>	<u>\$ -</u>	<u>\$ 115,599,239</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 CAPITAL ASSETS, NET (CONTINUED)

	Life	2014				Ending Balance June 30, 2015
		Beginning Balance July 01, 2014	Additions	Retirements	Reclassifications	
Land		\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701
Construction in Progress		1,201,564	715,093	-	(701,669)	1,214,988
Total Capital Assets Not being Depreciated		1,213,265	715,093	-	(701,669)	1,226,689
Buildings, including Improvements	40	148,588,982	2,012,925	-	547,915	151,149,822
Improvements Other than Buildings	20	13,191,107	980,007	-	153,754	14,324,868
Furnishings and Equipment, including Capital Leases	Varies	20,867,117	328,296	(730,267)	-	20,465,146
Library Books	10	7,275,618	77,199	(763,869)	-	6,588,948
Total Capital Assets being Depreciated		189,922,824	3,398,427	(1,494,136)	701,669	192,528,784
Less: Accumulated Depreciation:						
Buildings, including Improvements		(41,391,545)	(5,255,315)	-	-	(46,646,860)
Improvements Other than Buildings		(6,836,545)	(646,698)	-	-	(7,483,243)
Furnishings and Equipment, including Capital Leases		(14,532,127)	(1,240,522)	722,233	-	(15,050,416)
Library Books		(6,704,551)	(81,407)	763,869	-	(6,022,089)
Total Accumulated Depreciation		(69,464,768)	(7,223,942)	1,486,102	-	(75,202,608)
Total Capital Assets being Depreciated, Net		120,458,056	(3,825,515)	(8,034)	701,669	117,326,176
Capital Assets, Net		\$ 121,671,321	\$ (3,110,422)	\$ (8,034)	\$ -	\$ 118,552,865

NOTE 6 LEASES

The University has entered into operating leases for certain office and classroom space on a year-to-year basis. Total rent expense for operating leases was \$508,992 and \$135,170 for the years ended June 30, 2015 and 2014, respectively. Future lease payments for operating leases are as follows:

Year Ending June 30,	Amount
2016	\$ 238,132
2017	228,564
2018	226,964
2019	227,964
2020	125,728
Total	<u>\$ 1,047,352</u>

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NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2015</u>	<u>2014</u>
Employees	\$ 8,077,276	\$ 7,960,217
Supplies and Services	1,877,612	1,871,186
Other	1,325,604	885,984
Interest	71,604	72,014
Total	<u>\$ 11,352,096</u>	<u>\$ 10,789,401</u>

NOTE 8 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Grants	\$ 414,800	\$ 412,394
Students	4,706,470	4,332,326
Auxiliary	1,550,000	1,972,500
Other	-	43,271
Total	<u>\$ 6,671,270</u>	<u>\$ 6,760,491</u>

During the year ended June 30, 2011, the University entered into a contract with their food service provider. This contract required the food service provider to make an investment in the University at the inception of the contract to be recognized over a 10-year period. The remaining unamortized amount as of June 30, 2015 and 2014 was \$1,550,000 and \$1,972,500, respectively, and is presented as unearned auxiliary revenue.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTE 9 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Education Facilities Authority (PHEFA). In connection with the bond issuances, the State System entered into a loan agreement with PHEFA on behalf of the University under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The State System's Board of Governor's has allocated portions of certain bond issuances to the University to undertake various capital projects or to advance refund certain previously issued bonds. The University is responsible for the repayment of principal and interest on its applicable portion of each obligation. The various bond series allocated to the University for the years ended June 30, 2015 and 2014 are as follows:

2015					
	Weighted Average Interest Rate	Balance July 1, 2014	Bonds Issued	Bonds Redeemed	Balance June 30, 2015
Series AC issued in July 2006	4.89 %	\$ 1,236,804	\$ -	\$ (1,236,804)	\$ -
Series AG issued in July 2007	4.85 %	1,848,750	-	(584,153)	1,264,597
Series AH issues in July 2008	4.67 %	7,949,431	-	(516,078)	7,433,353
Series AI issued in August 2008	4.19 %	309,632	-	(22,949)	286,683
Series AJ issued in July 2009	4.88 %	9,406,366	-	(451,894)	8,954,472
Series AL issued in July 2010	5.00 %	13,855,535	-	(1,135,008)	12,720,527
Series AM issued in July 2011	4.65 %	4,368,129	-	(172,150)	4,195,979
Series AQ issued in July 2015	4.71 %	4,368,129	-	(3,342,348)	1,025,781
Total Bonds Payable		<u>\$ 43,342,776</u>	<u>\$ -</u>	<u>\$ (7,461,384)</u>	<u>\$ 35,881,392</u>

2014					
	Weighted Average Interest Rate	Balance July 1, 2013	Bonds Issued	Bonds Redeemed	Balance June 30, 2014
Series AC issued in July 2006	4.89 %	\$ 1,319,746	\$ -	\$ (82,942)	\$ 1,236,804
Series AG issued in July 2007	4.75 %	2,413,646	-	(564,896)	1,848,750
Series AH issues in July 2008	4.70 %	8,441,737	-	(492,306)	7,949,431
Series AI issued in August 2008	4.10 %	331,875	-	(22,243)	309,632
Series AJ issued in July 2009	4.89 %	9,836,545	-	(430,179)	9,406,366
Series AL issued in July 2010	5.00 %	14,936,798	-	(1,081,263)	13,855,535
Series AM issued in July 2011	4.68 %	10,606,948	-	(6,238,819)	4,368,129
Total Bonds Payable		<u>\$ 47,887,295</u>	<u>\$ -</u>	<u>\$ (8,912,648)</u>	<u>\$ 38,974,647</u>

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NOTE 9 BONDS PAYABLE (CONTINUED)

The State System's outstanding bonds are assigned an Aa3 rating from Moody's Investors Service, Inc. In April 2015, Moody's reaffirmed the State System's outlook as *negative*. In April 2015, Fitch Ratings downgraded the State System's rating from AA to AA- and revised the outlook from *negative* to *stable*.

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. This program will provide \$100,000,000 in funding over the next several years. The State System will issue bonds to provide a pool for funding for AFRP (\$29,552,795 and \$33,625,385 was outstanding as of June 30, 2015 and 2014, respectively). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program. As of June 30, 2015 and 2014, the balance owed by the University to the State System's AFRP pool of funding was \$2,457,767 and \$2,777,890, respectively.

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

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NOTE 9 BONDS PAYABLE (CONTINUED)

Series		2016	2017	2018	2019	2020	2021-2025	2026-2030	Thereafter	Total
AG	Principal	\$ 616,250	\$ 648,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,264,597
	Interest	63,230	32,417	-	-	-	-	-	-	95,647
	Total	<u>679,480</u>	<u>680,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,244</u>
AH	Principal	542,634	569,801	598,361	628,313	658,876	2,993,981	1,441,387	-	7,433,353
	Interest	344,805	317,673	289,183	259,265	227,849	720,194	137,017	-	2,295,986
	Total	<u>887,439</u>	<u>887,474</u>	<u>887,544</u>	<u>887,578</u>	<u>886,725</u>	<u>3,714,175</u>	<u>1,578,404</u>	<u>-</u>	<u>9,729,339</u>
AI	Principal	23,655	24,714	25,773	26,832	27,892	157,817	-	-	286,683
	Interest	12,142	11,195	10,207	9,176	8,103	21,627	-	-	72,450
	Total	<u>35,797</u>	<u>35,909</u>	<u>35,980</u>	<u>36,008</u>	<u>35,995</u>	<u>179,444</u>	<u>-</u>	<u>-</u>	<u>359,133</u>
AJ	Principal	474,664	497,433	522,647	548,916	576,240	3,289,404	3,045,168	-	8,954,472
	Interest	431,244	407,511	382,639	356,507	329,061	1,183,133	361,295	-	3,451,390
	Total	<u>905,908</u>	<u>904,944</u>	<u>905,286</u>	<u>905,423</u>	<u>905,301</u>	<u>4,472,537</u>	<u>3,406,463</u>	<u>-</u>	<u>12,405,862</u>
AL	Principal	1,191,557	1,251,156	580,493	609,938	639,384	3,711,511	4,736,488	-	12,720,527
	Interest	636,026	576,448	513,891	484,866	454,369	1,758,936	733,609	-	5,158,145
	Total	<u>1,827,583</u>	<u>1,827,604</u>	<u>1,094,384</u>	<u>1,094,804</u>	<u>1,093,753</u>	<u>5,470,447</u>	<u>5,470,097</u>	<u>-</u>	<u>17,878,672</u>
AM	Principal	180,616	189,790	199,314	207,427	217,658	1,264,672	1,576,519	359,983	4,195,979
	Interest	195,863	186,832	177,343	169,370	158,999	618,503	306,956	16,224	1,830,090
	Total	<u>376,479</u>	<u>376,622</u>	<u>376,657</u>	<u>376,797</u>	<u>376,657</u>	<u>1,883,175</u>	<u>1,883,475</u>	<u>376,207</u>	<u>6,026,069</u>
AQ	Principal	-	74,694	99,439	104,480	109,750	637,418	-	-	1,025,781
	Interest	57,558	51,289	47,554	42,582	37,358	98,717	-	-	335,058
	Total	<u>57,558</u>	<u>125,983</u>	<u>146,993</u>	<u>147,062</u>	<u>147,108</u>	<u>736,135</u>	<u>-</u>	<u>-</u>	<u>1,360,839</u>
Total	Principal	3,029,376	3,255,935	2,026,027	2,125,906	2,229,800	12,054,803	10,799,562	359,983	35,881,392
	Interest	1,740,868	1,583,365	1,420,817	1,321,766	1,215,739	4,401,110	1,538,877	16,224	13,238,766
	Total	<u>\$ 4,770,244</u>	<u>\$ 4,839,300</u>	<u>\$ 3,446,844</u>	<u>\$ 3,447,672</u>	<u>\$ 3,445,539</u>	<u>\$ 16,455,913</u>	<u>\$ 12,338,439</u>	<u>\$ 376,207</u>	<u>\$ 49,120,158</u>

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NOTE 10 OBLIGATIONS UNDER CAPITAL LEASES

The University has incurred obligations under the terms of capital lease arrangements in 2010 and 2015. The obligations are collateralized by the related leased equipment.

The present value of future net minimum lease payments has been classified in the accompanying financial statements at June 30, 2015 and 2014 as follows:

	2015	2014
Current Maturities of Capital Lease Obligations	\$ 21,999	\$ 21,034
Long-term Maturities of Capital Lease Obligations	81,493	9,830
Total	<u>\$ 103,492</u>	<u>\$ 30,864</u>

The following is a schedule, by year, of minimum, lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 23,023
2017	22,248
2018	22,248
2019	22,248
2020	18,540
Total Minimum Lease Payments	108,307
Amounts Representing Interest	(4,815)
Present Value of Net Minimum Lease Payments	<u>\$ 103,492</u>

NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS

Compensated absences and postretirement benefits for the years ended June 30, 2015 and 2014 are as follows:

	2015		2014	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Compensated Absences	\$ 659,599	\$ 7,978,276	\$ 514,405	\$ 8,176,799
Post-Retirement Benefit Obligations	-	81,669,241	-	77,903,388
Total	<u>\$ 659,599</u>	<u>\$ 89,647,517</u>	<u>\$ 514,405</u>	<u>\$ 86,080,187</u>

Changes in the compensated absence liability were as follows:

	2015	2014
Balance at July 1	\$ 8,691,204	\$ 8,570,819
Current Change in Estimate	870,993	672,500
Payouts	(924,322)	(552,115)
Balance at June 30	<u>\$ 8,637,875</u>	<u>\$ 8,691,204</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS (CONTINUED)

University employees who retire after meeting specified service and age requirements become eligible for participation in one of two defined healthcare benefits plans. 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 (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Pennsylvania Nurses Association (PNA), and nonrepresented employees participate in a single-employer defined benefit healthcare plan administered by the State System (the "System Plan"). The System Plan provides eligible retirees and their eligible dependents with healthcare benefits as well as tuition waivers at any of the State System's universities. Act 188 empowers the Board to establish and amend benefit provisions. Since the System Plan is unfunded and has no assets, no financial report is prepared.

Funding Policy

The contribution requirements of plan members and the State System 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 healthcare benefits to current retirees. Tuition waivers are provided by the retiree's sponsoring University as they are granted. The State System paid premiums of \$36,869,000 and \$44,201,000 for the fiscal years ended June 30, 2015 and 2014, respectively. Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement, the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of plan members as of June 30, 2015:

- Plan members receiving benefits who retired prior to July 1, 2005, are not required to make contributions.
- Nonfaculty coaches who retired July 1, 2005, pay a percentage of their final annual gross salary at the time of retirement.
- Other eligible annuitants who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65 pay 10% of the plan premium in effect on the day of retirement. When annuitants become eligible for Medicare, they pay 15% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Funding Policy (Continued)

- Other eligible annuitants who retire after July 1, 2008, pay 15% of the plan premium in effect on their retirement date. Future adjustments will apply if contributions increase for active employees.

Total contributions made by plan members were \$4,272,000 and \$3,969,000 or approximately 10.4% and 8.2% of the total premiums for the fiscal years ended June 30, 2015 and 2014, respectively.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 , *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid annually, is projected to cover normal cost plus the annual portion of the unfunded actuarial liability amortized over thirty years. The following shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in net OPEB obligation:

Annual Required Contribution	\$ 7,475,879
Interest on Net OPEB Obligation	3,047,974
Adjustment to Annual Required Contribution	<u>(4,005,998)</u>
Annual OPEB Cost	6,517,855
Contributions Made	<u>(2,752,002)</u>
Increase in Net OPEB Obligation	3,765,853
Net OPEB Obligation at July 1, 2014	<u>77,903,388</u>
Net OPEB Obligation at June 30, 2015	<u><u>\$ 81,669,241</u></u>

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NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for June 30, 2015, and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 6,517,855	42.2 %	\$ 81,669,241
June 30, 2014	8,853,000	32.4 %	77,903,388
June 30, 2013	8,463,000	33.7 %	71,915,550

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date was as follows:

Actuarial Accrued Liability (AAL)	\$ 85,944,371
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 85,944,371</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	<u>- %</u>
Covered Payroll (Active Plan Members)	<u>\$ 43,853,342</u>
UAAL as a Percentage of Covered Payroll	<u>196.0 %</u>

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NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress (Continued)

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 healthcare 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 benefit 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, 2014, actuarial valuation, the projected unit credit method was used with a 4.25% investment rate of return, which is the rate expected to be earned on the State System's operating portfolio. The health care cost trend rate used was 6.5% in 2014, 6.0% in 2015, and 5.5% in 2016 through 2020, with rates gradually decreasing from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2014, was 21 years.

Retired Employees Health Program

Plan Description

Employee members of the American Federation of State, County and Municipal Employees (AFSCME); Pennsylvania Doctors Alliance (PDA); and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is 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. Benefit provisions are established and may be amended under pertinent statutory authority. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity.

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NOTE 11 COMPENSATED ABSENCES AND POSTRETIREMENT BENEFITS (CONTINUED)

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, 2005, are not required to make contributions. Plan members who enrolled after July 1, 2005, 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 fiscal year 2014/15, the State System contributed \$334 for each current active employee per biweekly pay period. The State System made contributions of \$30,765,000, \$28,584,000, and \$25,638,000 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively, which equaled the required contributions for the year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 12 PENSION BENEFITS

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

Following is the total of the State System's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and the pension expense and expenditures for the fiscal year ended June 30, 2015.

	SERS	PSERS	ARP	Total
Net pension liabilities	\$ 51,412,761	\$ 6,136,364	N/A	\$ 57,549,125
Deferred outflows of resources	4,019,890	618,561	N/A	4,638,451
Deferred inflows of resources	638,957	438,709	N/A	1,077,666
Pension expense	5,876,496	578,728	3,290,723	9,745,947
Contributions made (pay-as-you-go)	3,998,424	448,871	3,290,723	7,738,018
Contributions recognized by pension plans	3,966,792	448,871	N/A	4,415,663

Contributions are due to and recognized by SERS based on the pay date. Contributions are due to and recognized by PSERS on the accrual basis; i.e., when the benefit is earned by the employee.

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS

Plan Description

SERS is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement, death, and disability benefits to employees of Pennsylvania state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

Benefits Provided

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

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 new 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.

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

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

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

Contributions

The contribution rate for both active members and the University 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 to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 120, however, imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for fiscal year 2013/14 was 4.5% and will remain at that rate until no longer needed.

The University contributed at actuarially determined rates of between 13.77% and 19.92% of active members' annual covered payroll at June 30, 2015. The University's contributions to SERS for the years ended June 30, 2015, 2014, and 2013, were \$3,998,000, \$3,075,000, and \$2,141,000, respectively, equal to the required contractual contribution.

Contribution rates for most active members are between 5.0% and 6.25% of their qualifying compensation. New members hired after January 1, 2011, have a one-time election to choose a 9.3% contribution rate.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Assumptions

The total SERS pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2014 and 2013, using the following actuarial assumptions, applied to all periods included in the measurement.

- Entry age actuarial cost method.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.75%.
- Investment return of 7.50%, net of expenses and including inflation.
- Salary increases based on an effective average of 6.1%, with a range of 4.30% to 11.05%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected RP-2000 Mortality Tables, adjusted for actual plan experience and future improvement.
- Ad hoc cost of living adjustments (COLAs).

Some of the methods and assumptions mentioned above are based on the 17th Investigation of Actuarial Experience, which was published in January 2011 and analyzed experience from 2006 through 2010. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis. The next experience study will cover the years 2011 through 2015 and is expected to be released in early 2016.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2014, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative investments	15.00%	8.50%
Global public equity	40.00%	5.40%
Real assets	17.00%	4.95%
Diversifying assets	10.00%	5.00%
Fixed income	15.00%	1.50%
Liquidity reserve	3.00%	0.00%
	100.00%	

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

The discount rate used to measure the total SERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current and nonactive SERS members. Therefore, the long-term expected rate of return on SERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the SERS net pension liability calculated using the discount rate of 7.50%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

Sensitivity of the State System's Proportionate Share of the SERS Net Pension Liability to Change in the Discount Rate			
	1% Decrease	Current Rate	1% Increase
	6.50%	7.50%	8.50%
2014	\$65,807,000	\$51,413,000	\$39,036,000
2013	\$62,133,000	\$47,871,000	\$35,612,000

Fiduciary Net Position

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

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

At June 30, 2015, the amount recognized as the University's proportionate share of the SERS net pension liability was \$51,413,000. SERS measured the net pension liability as of December 31, 2014.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the 2014 amounts, this methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2015/16 from the December 31, 2014, funding valuation to the expected funding payroll. For the allocation of the 2013 amounts, this methodology applies the contribution rates for fiscal year 2014/15 from the December 31, 2013, funding valuation to the expected funding payroll. At December 31, 2014, the University's proportion was 4.901%, a decrease of .061% from its proportion calculated as of December 31, 2013.

For the year ended June 30, 2015, the University recognized SERS pension expense of \$5,876,496. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the SERS pension are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 279,104	\$ -
Net difference between projected and actual investment earnings	1,485,482	-
Changes in proportions	-	484,874
Difference between employer contributions and proportionate share of total contributions	-	154,083
Contributions after the measurement date	2,255,304	-
	\$ 4,019,890	\$ 638,957

The University will recognize the \$2,255,304 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the SERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in SERS pension expense as follows.

Fiscal Year Ended	Amortization
June 30, 2016	\$ 293,142
June 30, 2017	293,142
June 30, 2018	293,142
June 30, 2019	293,142
June 30, 2020	(46,937)

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–9102) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established and may be amended. The Code requires contributions by active members, the employer (University), and the Commonwealth of Pennsylvania. 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 includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the PSERS website at www.psers.state.pa.us.

Benefits Provided

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

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
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NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2015, was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 10.25% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2015, was \$448,871. The University's contributions to PSERS for the years ended June 30, 2014 and 2013, were \$342,243 and \$268,993, respectively, equal to the required contractual contribution.

Actuarial Assumptions

The total PSERS pension liability as of June 30, 2014, was determined by rolling forward PSERS' total pension liability as of the June 30, 2013, actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method is entry age normal, level percent of pay.
- Inflation of 3%.
- Investment return of 7.50%, including inflation.
- Salary increases based on an effective average of 5.5%, which reflects an allowance for inflation, real wage growth of 1.0%, and merit or seniority increases of 1.05%.
- Mortality rates based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females; for disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

The actuarial assumptions used in the June 30, 2013, valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Trustees at its March 11, 2011, meeting and were effective beginning with the June 30, 2011, actuarial valuation.

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

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19.00%	5.00%
Private markets (equity)	21.00%	6.50%
Private real estate	13.00%	4.70%
Global fixed income	8.00%	2.00%
U.S. long treasuries	3.00%	1.40%
TIPS	12.00%	1.20%
High-yield bonds	6.00%	1.70%
Cash	3.00%	0.90%
Absolute return	10.00%	4.80%
Risk parity	5.00%	3.90%
MLPs/Infrastructure	3.00%	5.30%
Commodities	6.00%	3.30%
Financing (LIBOR)	-9.00%	1.10%
	100.00%	

The discount rate used to measure the total PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

The following presents the University's proportionate share of the PSERS net pension liability calculated using the discount rate of 7.50%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

Sensitivity of the State System's Proportionate Share of the PSERS Net Pension Liability to Change in the Discount Rate		
1% Decrease	Current Rate	1% Increase
6.50%	7.50%	8.50%
\$7,654,430	\$6,136,364	\$4,840,562

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.

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

At June 30, 2015, the amount recognized as the University's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows.

Total PSERS net pension liability associated with the University	\$ 12,272,728
Commonwealth's proportionate share of the PSERS net pension liability associated with the University	6,136,364
University's proportionate share of the PSERS net pension liability	<u>\$ 6,136,364</u>

PSERS measured the net pension liability as of June 30, 2014. The total PSERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of June 30, 2013, to June 30, 2014. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2014, the State System's proportion was .1785%, an increase of .0051% from its proportion calculated as of June 30, 2013.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

For the year ended June 30, 2015, the University recognized PSERS' pension expense of \$578,728. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PSERS pension are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 438,709
Changes in proportions	146,091	-
Difference between employer contributions and proportionate share of total contributions	25,620	-
Contributions after the measurement date	446,850	-
	\$ 618,561	\$ 438,709

The University will recognize the \$446,850 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PSERS pension expense as follows.

Fiscal Year Ended	Amortization
June 30, 2016	\$ (68,289)
June 30, 2017	(68,289)
June 30, 2018	(68,289)
June 30, 2019	(68,289)
June 30, 2020	6,208

ARP

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 benefit provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The University contribution rate on June 30, 2015 and 2014 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2015 and 2014 were approximately \$3,291,000 and \$3,320,060, respectively, from the University and \$1,780,000 and \$1,772,000, respectively, from active members.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 13 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims less than \$100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims less than \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which the University contributes in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed \$108,113 and \$145,483 to the Reserve Fund for the years ended June 30, 2015 and 2014, respectively.

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

<u>Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2015	\$ 811,385	\$ 171,581	\$ (249,807)	\$ 733,159
2014	\$ 473,783	\$ 641,871	\$ (304,269)	\$ 811,385

NOTE 14 RELATED PARTY TRANSACTIONS

Alumni Association

Slippery Rock University Alumni Association (the "Alumni Association") is a non-profit association formed to promote the welfare of the University by initiating and/or participating in fund raising drives aimed at providing scholarship assistance, research fellowships and grants, and additional facilities to meet special cultural, research or athletic needs. Since the Alumni Association operates under an independent governing board and management, the financial activity of the Alumni Association is not included in the University's financial statements.

Based upon internal financial statements, the Alumni Association had net assets of \$2,539,499 at June 30, 2015 and \$2,254,418 at June 30, 2014.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)

Slippery Rock University Foundation (the "Foundation")

The Foundation, which is a component unit of the University, was organized for the purpose of raising private support, and managing funds which are used solely for the benefit and support of the University. The Foundation does this by raising private support to provide the University with resources not available through normal system funding, in accordance with restrictions, if any, imposed by donors. The primary source of income to the Foundation are contributions from both individual and corporate donors, investment income, and camp fees. The Foundation also has oversight and management of campus student housing complexes. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources and income thereon is restricted for the activities of the University by donors. As of June 30, 2015 and 2014, the Foundation held \$16,047,393 and \$15,077,869 of permanently restricted net assets for the benefit of the University. Permanently restricted net assets are primarily comprised of scholarships.

The Foundation annually agrees with the University to manage the investment of monies received from various sources under the fiduciary agreement. The amount due to the University under this agreement as of June 30, 2015 and 2014 was \$2,824,602 and \$2,571,519, respectively. During the 2015 and 2014 fiscal years, the Foundation provided the following support to the University:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 1,694,412	\$ 1,538,096
Support of University Programs	995,415	1,017,185

The Foundation entered into an agreement with the University to provide office space, management and accounting personnel, computer and office equipment, and supplies at no cost. The total in-kind services provided to the Foundation by the University amounted to \$205,763 and \$231,797 in 2015 and 2014, respectively.

For the years ended June 30, 2015 and 2014, the University paid the Foundation \$921,500 and \$959,500, respectively for the cost of employee's salaries, benefits, and other expenses related to comprehensive fundraising services.

Slippery Rock Student Government Association (the "Association")

The Association, which is a component unit of the University, was organized to provide student services and to promote and support educational cultural and recreational activities for the students of the University. The Association primarily conducts student activity fee supported organizations, bookstore operations, vending machine operations, child day care and Pre-K Counts operations. During the years ended June 30, 2015 and 2014, the Association received \$2,271,817 and \$2,222,518, respectively, in student activity fees from the University.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 15 CONTINGENCIES

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

The University is self-insured for workers' compensation up to stated limits (see Note 13). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not significantly reduced any of its insurance coverage from the prior year. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

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

Affordable Care Act Requirements

New regulations under the federal Affordable Care Act require the University to complete and submit various reports and forms to employees and the Internal Revenue Service (IRS) between January 31, 2016, and March 31, 2016, for the calendar year ending December 31, 2015. Failure to submit the required information accurately and on time could result in significant IRS penalties. The University is in the process of implementing the Affordable Care Act requirements and expects to be in compliance by the applicable deadlines. No reporting or compliance penalties are anticipated as of June 30, 2015.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE SYSTEM PLAN AND REHP (OPEB)
JUNE 30, 2015 AND 2014
(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, 2012	\$ -	\$ 106,643	\$ 106,643	- %	\$ 42,853	248.9%
July 1, 2013	-	110,631	110,631	- %	44,139	250.6%
July 1, 2014	-	85,944	85,944	- %	43,853	196.0%

**Schedule of Funding Progress for the REHP (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, 2012	\$ 71,630	\$ 12,843,700	\$ 12,772,070	0.56 %	\$ 4,130,000	309 %
July 1, 2013	82,060	13,234,040	13,151,980	0.62 %	4,264,000	308 %
January 1, 2015	144,744	16,134,419	15,989,675	0.90 %	4,289,099	373 %

The information above related 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF PENSION LIABILITY (NPL)
(UNAUDITED)**

Schedule of Proportionate Share of SERS Net Pension Liability (NPL)

Determined as of December 31, 2014, SERS Measurement Date

(in Thousands)

Fiscal Year	University'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	0.0126%	\$ 51,413	\$ 20,970	245%	64.8%

SERS Schedule of Contributions

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS in FY 2014/15	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$3,967	\$3,967	\$0	\$ 20,970	18.90%

Schedule of Proportionate Share of PSERS Net Pension Liability

Determined as of June 30, 2014, PSERS Measurement Date

(in Thousands)

Fiscal Year	University's Proportion	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
		University's Proportionate Share	Common-wealth's Proportionate Share	Total			
2014/15	0.0155%	\$ 6,136	\$ 6,136	\$ 12,272	\$1,978	310%	57.2%

PSERS Schedule of Contributions

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS in FY 2014/15	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$448	\$448	\$0	\$1,978	23.0%