

**SHAWNEE STATE UNIVERSITY**  
(A COMPONENT UNIT OF THE STATE OF OHIO)

**SCIOTO COUNTY**

**FINANCIAL AUDIT REPORT  
WITH SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED JUNE 30, 2020  
AND JUNE 30, 2019**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Shawnee State University  
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We have reviewed the *Independent Auditor's Report* of the Shawnee State University, Scioto County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shawnee State University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 11, 2021

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# Shawnee State University

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## **Independent Auditor's Report**

To the Board of Trustees  
Shawnee State University

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Shawnee State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Shawnee State University's basic financial statements, as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

#### ***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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor's 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.

#### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of Shawnee State University and its discretely presented component unit as of June 30, 2020 and 2019 and the changes in its net position and its cash flows where applicable for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note 2 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our conclusion is not modified with respect to this matter.

To the Board of Trustees  
Shawnee State University

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of university pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of university OPEB contributions, as indicated in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Shawnee State University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of Shawnee State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shawnee State University's internal control over financial reporting and compliance.



October 13, 2020, except as to the supplementary information (as listed in the table of contents), which is as of January 22, 2021



# Shawnee State University

## Management's Discussion and Analysis (Unaudited)

This unaudited section of Shawnee State University's (the "University") annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2020. This discussion, prepared by university management, provides an overview of the University's financial activities and should be evaluated in conjunction with the accompanying financial statements and footnotes.

This annual report consists of the statements of net position, revenue, expenses, and changes in net position, and cash flows. These statements have been prepared in accordance with the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended.

In addition, in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14 - Omnibus*, Shawnee State University Development Foundation's (the "Foundation") financial statements have been included in this annual report. This information has been provided on separate financial statements and in a note to the financial statements. Shawnee State University's management's discussion and analysis reflects only information related to the University.

### **Financial Highlights**

Key financial highlights for 2020 are as follows:

- Total net position decreased \$986,901. The decrease is primarily the result of a \$1,770,003 increase in instruction and departmental research expense, an increase of \$992,645 in public service expense, and a \$519,177 increase in scholarship and fellowship expense. The increases in operating expenses were partially offset with an increase of \$2,075,451 in nonoperating federal, state and local grant revenue and a \$1,326,199 increase in state appropriation revenue.
- Total assets increased \$140,466 due to the increase in capital assets, mainly from the projects financed by bond series 2016 proceeds.
- Noncurrent assets (excluding capital assets) decreased \$3,282,693 as the result of the liquidation of restricted investments to fund Bond Series 2016 construction projects and a reduction in investments held by the University for cash needs.
- Total Deferred Outflows of Resources decreased \$4,728,321 mainly due to the deferred portion of the GASB Statement No. 68 pension expense adjustment.

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited) (Continued)

- The \$7,011,754 decrease in total liabilities was primarily due to a \$7,699,828 decrease in net pension liability related to GASB Statement No. 68 and the \$687,945 decrease to long term debt.
- Total deferred inflows of resources increase of \$3,410,800 is primarily due to the \$2,503,361 increase in deferred pension costs and the \$744,001 increase in other post employment benefit costs related to GASB Statement No. 68 and Statement No. 75, respectively.
- Total revenue increased \$4,138,898 from 2019 to 2020 compared with a decrease of \$2,402,601 from 2018 to 2019. The increase was primarily due to a \$3,261,057 increase in federal, state and local grant and contract revenue, an increase of \$1,326,199 in revenue from state appropriations and an increase of \$354,093 in student tuition and fees revenue.
- Total expenses increased \$2,682,098 in 2020 primarily due to an increase of \$2,485,286 in operating expenses. The 2020 increase in operating expenses consisted of a \$1,770,003 increase in instruction and departmental research expenses, an increase of \$992,645 in public service expenses, a \$519,177 increase in scholarship expenses, and a \$352,551 increase in depreciation expense partially offset by a \$500,727 reduction in operation and maintenance of plant expenditures.
- Operating revenue increased by \$898,668 primarily due to a \$1,185,606 increase in operating grant revenue (revenue for projects which result in an "exchange" like a product, report or some form of an outcome), an increase of \$354,093 in student tuition and fee revenue.
- Nonoperating revenue increased \$2,949,230 as a result of a \$2,075,451 increase in nonoperating grant revenue (grants that are not exchange transactions, such as CARES Act grant and scholarship grants like Pell, SEOG, OCOG) and a \$1,326,199 increase in state appropriations. Nonoperating expenses increased \$196,812 primarily as a result of an increase in interest expense on related debt in 2020.

### **Using this Financial Report**

This annual report consists of two parts: (1) management's discussion and analysis and the basic financial statements for Shawnee State University, and (2) the basic financial statements for Shawnee State University Development Foundation. The basic financial statements for Shawnee State University include the statements of net position, revenue, expenses, and changes in net position, and cash flows. The basic financial statements for Shawnee State University Development Foundation include the statement of net assets and the statement of activities.

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited) (Continued)

### Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The statement of net position and statement of revenue, expenses, and changes in net position present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2020?" The statement of net position includes all short-term and long-term assets and liabilities, both financial and capital and deferred outflows or inflows of resources. The accrual basis of accounting is used for the recording of revenue and expenses. This basis of accounting records revenue when earned and expenses when incurred, regardless of when the cash is actually received or paid. Over time, increases or decreases in net position are one indicator of the improvement or deterioration of the University's financial health. Nonfinancial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

#### **Statement of Net Position**

The statement of net position, which reports all assets and liabilities of the University, reflects the financial position of the University at the end of the fiscal year. Total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources equal net position. The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2020, 2019, and 2018 are presented below:

# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

	2020	2019	2018
<b>Assets</b>			
Current assets	\$ 7,246,264	\$ 6,644,831	\$ 6,717,677
Capital assets - Net	85,161,019	82,339,293	81,463,970
Other noncurrent assets	<u>10,101,443</u>	<u>13,384,136</u>	<u>19,356,891</u>
Total assets	102,508,726	102,368,260	107,538,538
<b>Deferred Outflows of Resources</b>	7,160,207	11,888,528	11,253,663
<b>Liabilities</b>			
Current liabilities	7,426,205	7,561,123	8,799,530
Noncurrent liabilities	<u>62,361,128</u>	<u>69,237,964</u>	<u>70,048,677</u>
Total liabilities	69,787,333	76,799,087	78,848,207
<b>Deferred Inflows of Resources</b>	<u>11,576,120</u>	<u>8,165,320</u>	<u>8,207,912</u>
<b>Net Position</b>			
Net investment in capital assets	66,271,979	66,457,561	66,291,426
Restricted, expendable	249,246	249,245	173,500
Unrestricted	<u>(38,215,745)</u>	<u>(37,414,425)</u>	<u>(34,728,844)</u>
Total net position	<u>\$ 28,305,480</u>	<u>\$ 29,292,381</u>	<u>\$ 31,736,082</u>

Total assets of the University increased \$140,466 in 2020 and decreased \$5,170,278 in 2019. Current assets increased \$601,433 in 2020 following a \$72,846 decrease in 2019. An increase of \$679,182 in accounts receivables was the largest component of the 2020 increase in current assets. The decrease in 2019 was the net result of a \$567,596 reduction in accounts receivables, a \$447,604 decrease in amounts due from primary government for state funded construction projects and a \$789,397 increase in cash from the liquidation of investment holdings in 2019. Noncurrent assets (excluding capital assets) decreased \$3,282,693 in 2020 and \$5,972,655 in 2019. Both 2020 and 2019 decreases were due to the utilization of the Bond Series 2016 funding for new capital projects related to the debt and liquidations of investment securities for University cash needs.

The final phase of construction funded by the Bond Series 2016 issue resulted in an increase of \$2,821,726 in net capital assets in 2020. The increased number of capital construction projects initiated in 2019 resulted in an increase of \$875,323 in net assets for that year.

The \$7,011,754 decrease in 2020 total liabilities was primarily due to the \$7,699,828 decrease in net pension liability to recognize the reduction of the University's proportionate share of the net pension liability as determined by the two pension plans

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited) (Continued)

associated with the University, the State Teachers Retirement System and Ohio Public Employees Retirement System, as required by GASB Statement No. 68. See Note 13 to the financial statements for further details. The remainder of the 2020 decrease in total liabilities was attributable to a \$950,040 reduction in long term debt. The \$2,049,120 decrease in total liabilities in 2019 consisted primarily of a \$687,945 reduction in accounts payable in addition a reduction of \$655,000 in bonds payable.

### **Statement of Revenue, Expenses, and Changes in Net Position**

The statement of revenue, expenses, and changes in net position presents the results of operations for the University. The change in net position during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenue, expenses, and changes in net position for the fiscal years ended June 30, 2020, 2019, and 2018 are as follows:

# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

	2020	2019	2018
Operating revenue:			
Tuition, fees, and other student charges	\$ 19,082,443	\$ 18,728,350	\$ 20,433,024
Grants and contracts	4,448,998	3,263,392	4,112,850
Sales and services	1,654,788	2,038,280	2,207,409
Miscellaneous income	387,630	645,169	496,926
Nonoperating revenue:			
Investment income	323,292	578,900	922,233
State appropriations	17,040,109	15,713,910	15,811,797
Other grants	12,769,671	10,694,220	11,260,695
Capital appropriations	<u>2,542,812</u>	<u>2,448,624</u>	<u>1,268,512</u>
 Total revenue	 58,249,743	 54,110,845	 56,513,446
 Operating expenses:			
Instruction and research	17,356,628	15,586,625	8,890,534
Public service	3,323,789	2,331,144	2,060,195
Academic support	2,633,021	2,813,696	2,677,238
Student services	4,956,280	4,775,638	4,286,628
Institutional support	10,989,883	11,594,379	10,916,284
Operation and maintenance of plant	4,024,285	4,525,012	4,793,929
Scholarships and fellowships	5,315,602	4,796,425	5,330,743
Depreciation	4,040,030	3,687,479	3,650,888
Auxiliary enterprises	5,990,591	6,034,425	6,525,600
Nonoperating expense:			
Interest on capital debt	606,535	409,363	437,761
Loss on disposal of capital assets	-	360	7,350
 Total expenses	 <u>59,236,644</u>	 <u>56,554,546</u>	 <u>49,577,150</u>
 (Decrease)increase in net position	 <u>\$ (986,901)</u>	 <u>\$ (2,443,701)</u>	 <u>\$ 6,936,296</u>

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reason, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the creative and performing arts. The University charges students' tuition and fees in accordance with approved university policy, as constrained by state laws. Beginning with the Fall 2018 term, the University did implement a new tuition guarantee program for all new first-time freshmen students. The Shawnee

# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

Advantage Tuition plan guarantees students a flat tuition rate for up to five years while attending the University. Each new fiscal year, the tuition rate will be adjusted for that year's incoming freshmen class. The fall 2019 incoming freshmen class tuition and fee rate was \$4,132. Based on state regulations or University policy, rates charged for continuing in-state and all out-of-state student tuition and fees increased 2.0 percent during 2020. There was no change to the tuition and fee rate charged to graduate students during 2020.

The University's 2020 revenue from student tuition and fees has increased to \$19,082,443 from \$18,728,350 in 2019 following a decrease from \$20,433,024 in 2018 due to corresponding enrollment level changes over these years. Tuition and fees represent 32.8 percent of the University's total revenue in 2020, 34.6 percent in 2019 and 36.2 percent in 2018. The University's 2020 operating grants and contracts revenue increased 26.7 percent to \$4,448,998 from \$3,263,392 in 2019 following a decrease of 20.7 percent from \$4,112,850 in 2018 due to the level of new and maturing federal and state operating grants. The University continues initiatives to identify and obtain new grant funding as shown by the 2020 increase.

Operating expenses increased \$2,485,286 primarily as a result of the 2019 \$839,470 GASB 68 and 75 reduction of pension expense being \$1,234,474 more than the 2020 \$395,004 GASB 68 and 75 increase of pension expense. In addition to this \$1,234,474 increase of pension and OPEB related operating expense. Scholarship and fellowship expense increased \$519,177 in 2020 following a decrease in 2019 of \$534,318 due to corresponding changes in enrollment for those years. This increase in 2020 operating expenses is partially offset by a \$500,727 decrease in operation and maintenance of plant expenses and a \$604,496 decrease in institutional support expenses as a result of continuing austerity efforts across the University.

State appropriations represent 29.3 percent of the University's total revenue in 2020, 29.0 percent in 2019, and 28.0 percent in 2018. These percentages illustrate that tuition and fee revenue is not sufficient to cover operational expenses. The University has considerable dependency upon a predictable and relatively stable level of state appropriation funding.

During 2020, investment income amounted to \$323,292 as compared to \$578,900 during 2019 and \$922,233 during 2018. This decrease in investment income is the result of the declining funds available for investment as well as the impact of the University decision to reallocate a larger portion of the investment portfolio to a lower return but more stable fixed income allocation during 2020.

Pell Grants and certain other grants are considered nonexchange transactions and are reflected as nonoperating revenue. The federal grants portion of nonoperating other grants and contract revenue experienced a 19.8 percent increase from \$7,322,981 in 2019 to \$8,774,374 in 2020. The increase is primarily due to the receipt of two CARES

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited) (Continued)

Act programs. In 2020 the University recorded \$506,928 in Higher Education Emergency Relief Fund Student-Student Aid funds and \$506,928 in Higher Education Emergency Relief Fund-Institutional Portion funds. The remaining increase in other nonoperating federal grants in 2020 follows a decrease in 2019 of 6.5 percent from 2018 in the federal grant portion of nonoperating other grants revenue. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to \$8.8 million in 2020 as compared with \$7.3 million in 2019 and \$7.8 million in 2018. Nonoperating grants revenue represents 21.9 percent of the University's total revenue in 2020, up from 19.8 percent in 2019, and 19.9 percent in 2018.

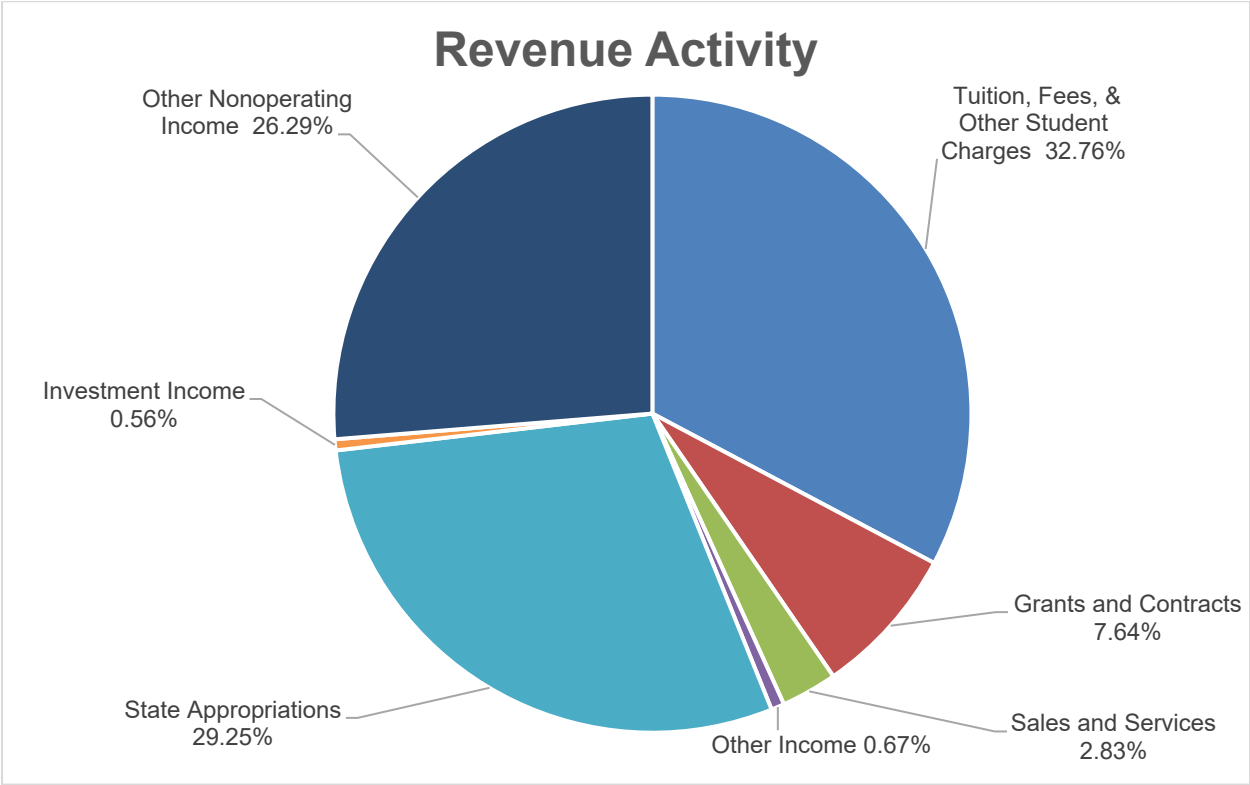
Capital appropriations increased to \$2,542,812 from \$2,448,624 in 2019 as work on state capital projects continued in 2020. The increase to \$2,448,624 in 2019 from \$1,268,512 in 2018 reflect the increased state capital funding received to initiate new capital projects during those years. These projects include the STEM building projects and renovation to the Library building on campus.

The following graphs illustrate Shawnee State University's revenue and expense activity for the fiscal year ended June 30, 2020.



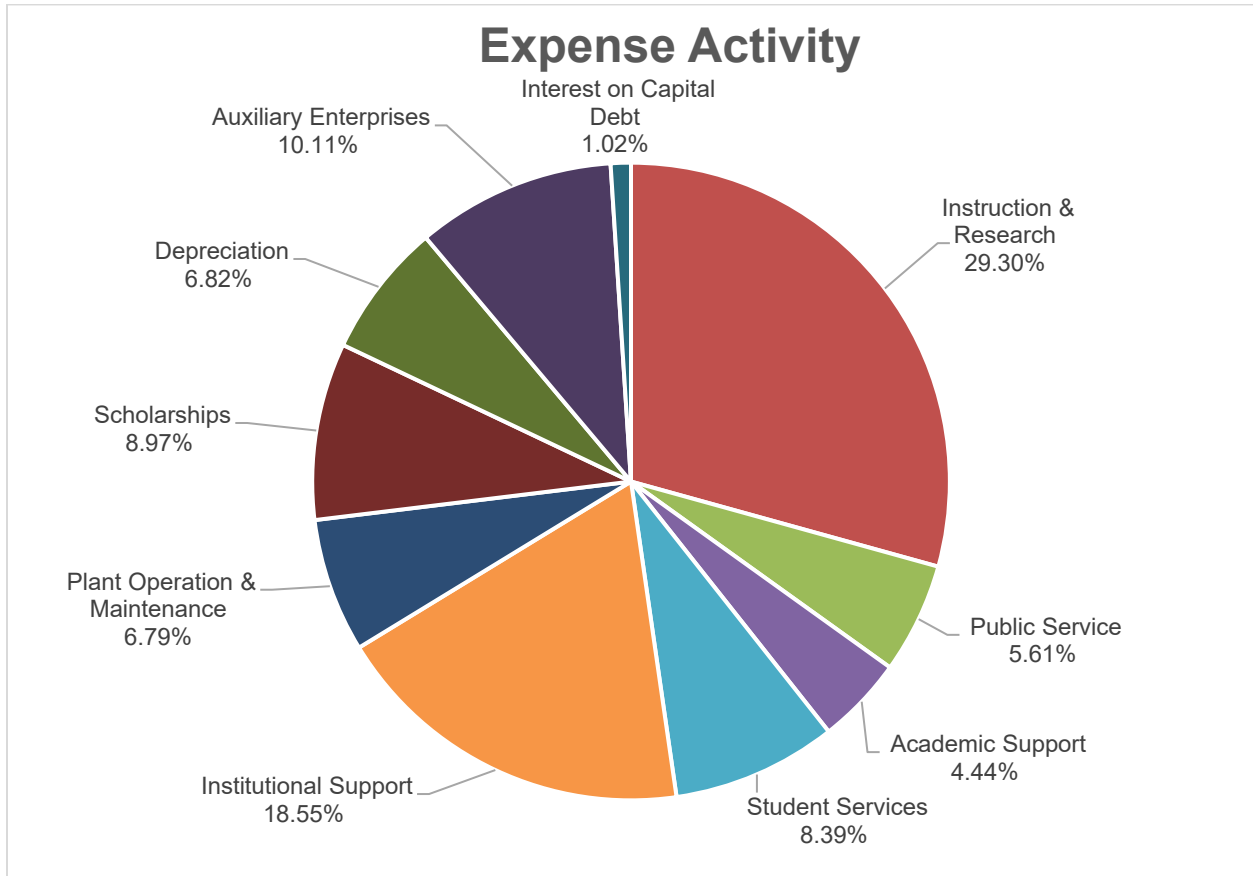
# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)



# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)



# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

### Statement of Cash Flows

The statement of cash flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ended June 30, 2020. A comparison of cash sources and uses during fiscal years 2020, 2019, and 2018 is presented below:

	2020	2019	2018
<b>Cash (Used in) Provided By</b>			
Operating activities	\$ (29,855,368)	\$ (28,443,714)	\$ (28,221,043)
Noncapital financing activities	29,665,573	26,385,499	26,153,453
Capital and related financing activities	(4,846,725)	(3,756,139)	(3,802,663)
Investment activities	4,544,059	6,603,751	6,622,791
Net (decrease) increase in cash and cash equivalents	(492,461)	789,397	752,538
<b>Cash and Cash Equivalents</b>			
Beginning of the year	1,936,155	1,146,758	394,220
End of the year	<u>\$ 1,443,694</u>	<u>\$ 1,936,155</u>	<u>\$ 1,146,758</u>

Cash and cash equivalents decreased by \$492,461 in 2020 as a result of decreased cash inflows during the spring due to interruptions to business operations from COVID 19 restrictions. The University continued to follow a combination of institution-wide spending constraint strategies during the year to reduce future cash needs.

### Capital Assets and Debt Administration

At the end of fiscal year 2020, the University held \$85,161,019 in net capital assets. This reflects an increase of \$2,821,726 in net capital assets from 2019. The increase was due to the increased number of construction projects initiated or completed during 2020.

Capital assets - Net of depreciation at June 30:

	2020	2019	2018
Land	\$ 8,003,370	\$ 8,003,370	\$ 8,003,370
Land improvements	6,928,631	6,928,631	6,928,631
Buildings and improvements	65,665,586	55,412,017	58,354,853
Equipment	1,873,225	1,803,784	2,412,502
Library books	151,461	189,862	232,737
Construction in progress	2,538,746	10,001,629	5,531,877
Totals	<u>\$ 85,161,019</u>	<u>\$ 82,339,293</u>	<u>\$ 81,463,970</u>

# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

### Debt Administration

In fiscal year 2017, the University issued \$20,845,000 of General Receipts Bonds, Bond Series 2016. The net proceeds of the Series 2016 bonds were designated for various purposes. Bond proceeds of about \$7,200,000 were allocated to pay for the costs of various improvements to the University's campus. Those improvements include the renovation and rehabilitation of existing facilities for athletics and student recreation, health and fitness, student housing renovations, and other campus improvements. Secondly, the funds were utilized to advance refund all of the University's outstanding General Receipts Bonds, Series 2007. The Series 2007 Bonds were issued on June 5, 2007 for the purpose of paying the costs to renovate and construct a new addition to its University Center and for refunding of prior bond issues. Lastly, the remaining Series 2016 bond proceeds were used to pay costs of issuance of the bonds.

In fiscal year 2013, the University executed a new capital lease with Key Government Finance, Inc. The original lease proceeds of \$2,820,339 are funding a portion of the University's IT infrastructure upgrade project. In 2015, the University received an additional \$227,407 in funding and revised the original lease's payment schedule to reduce annual payment amounts by extending the lease through October 1, 2018. The University paid the final capital lease payment in 2019.

Outstanding debt at year end:

	2020	2019	2018
Capital lease payable - 3.16%	\$ -	\$ -	\$ 321,617
Unamortized bond premium	550,595	583,540	608,171
General revenue bonds payable - 2% to 4%	18,920,000	19,575,000	20,220,000
Total debt	<u>\$ 19,470,595</u>	<u>\$ 20,158,540</u>	<u>\$ 21,149,788</u>

### Current Financial Issues and Concerns

Like all institutions of higher education, Shawnee State University faced and successfully managed perhaps the most unique challenge in its history: a pandemic of worldwide impact, COVID-19. With great resolve and resiliency, the university transitioned its operations to an essentially fully online model in the spring of 2020, thereby allowing students to stay on track toward their educational goals. Shawnee continues to deploy innovative approaches to further its mission, successfully launching the fall semester of 2020 with a return to in-person instruction, a key element of success for its unique student body. Notwithstanding these efforts, the pandemic continues to create uncertainty in the following areas:

# Shawnee State University

## Management's Discussion and Analysis (Unaudited) (Continued)

### *Enrollment, Tuition and Fees*

2020 started off with great promise as the Shawnee State realized some of the largest gains in fall-to-fall enrollment in the university sector of the State of Ohio's public higher education system, yielding a 1.9% increase in gross tuition and fees for the full year versus 2019. As noted above, the university switched delivery modalities from largely face-to-face to online learning in March of 2020; this effort preserved most of the tuition and fee revenue gains relative to the prior year. That favorable result has been somewhat short-lived as enrollment, particularly of on-campus residential students, has softened in the fall of 2020. Shawnee's experience in this regard has been similar to its peers in Ohio and the nation.

Although new student enrollment suffered the greatest decline year over year from fiscal 2020 to 2021 (as measured by fall enrollment in those years and relative to other student cohorts at the university), the retention of continuing students at comparatively higher levels offers some reason for guarded optimism.

### *State Funding*

Shawnee State relies heavily on direct subsidy from the State of Ohio to meet its educational mission. This revenue stream is comprised of two major components, State Share of Instruction (SSI) and a supplemental appropriation (the "Shawnee Supplement") that combined, have produced almost thirty percent of total revenues to the institution over the last three fiscal cycles.

Total state subsidy grew by 8.4% from 2019 to 2020 entirely as the result of a 53.1% increase in the supplement (\$1.35 million) as SSI was flat year over year. It is important to note that the combined result for 2020 was actually \$674K (3.8%) less than what had been expected for the institution to receive as late as April of 2020. Shawnee's SSI portion was to be higher due to a mid-year adjustment based on the University's results in the performance-based funding model. However, all state-supported institutions of higher education in Ohio saw their SSI cut by 3.8% in the first week of May 2020 (when the State's budget cut was implemented in response to revenue shortfalls due to lowered economic activity resulting from the coronavirus pandemic). Although all of these schools suffered hardships from the budget cut, the effect upon Shawnee was more pronounced given its heavier reliance on state subsidy that its peers.

As of this writing, the State of Ohio has not released a full year budget for state subsidy for fiscal 2021, and prudence suggests that any projection related thereto be informed by a significant amount of conservatism in light of the ongoing pandemic and its impact on the State's fiscal health.

### *Expenses*

As noted above, roughly 49.7% of the increase in operating expenses from 2019 to 2020 can be traced to an increase in pension and related expenses driven by GASB

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited) (Continued)

68/75. The residual \$1.3 million increase in non-GASB 68/75 expenses can be traced to pandemic mitigation and response (\$1.0 million funded via CARES Act grants) and an increase of over \$500K in scholarships. All other categories of expense were carefully managed over the course of the year so as to yield an overall change in operating expenses of just 2.2%. Some of the efforts undertaken to accomplish this restraint include:

- An organization-wide furlough program that touched essentially every non-teaching employee across the organization in the Spring of 2020
- A hiring freeze that continues to present
- Aggressive negotiation and re-negotiation of service contracts
- Careful monitoring of utilities and other occupancy costs

Despite these cost containment practices, key services to students were maintained to the greatest extent possible, often in novel ways due to the pandemic. Thus far, the university has been able to successfully leverage external funding (e.g., CARES Act) to cover the extraordinary costs of the pandemic, but these monies, as a rule, do not serve to replace the foregone income expected to be suffered by the institution in fiscal 2021 and perhaps beyond.

### *Looking Forward to Fiscal 2021 and Beyond*

Both the popular and higher education industry media have identified the COVID-19 pandemic as one of, if not the, most significant force affecting colleges and universities across the country. Shawnee State University is therefore not alone as it faces the future, a future that depends upon the following:

- A resumption of the enrollment momentum realized from fall of 2019 to fall of 2020
- Continued predictable and robust state support though both SSI and supplement
- Careful monitoring of spending patterns, both near- and long-term

# Shawnee State University

## Statement of Net Position University

	June 30	
	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,443,694	\$ 1,936,155
Receivables:		
Accounts - Net of allowance for doubtful accounts of \$1,815,604 in 2020 and \$2,095,257 in 2019	4,920,815	4,241,633
Notes receivable	84,015	79,992
Amounts due from primary government	-	33,287
Interest receivable	13,756	23,261
Inventory	20,017	24,264
Prepaid items	763,967	306,239
	<u>7,246,264</u>	<u>6,644,831</u>
Total current assets		
<b>Noncurrent Assets</b>		
Restricted investments	35,661	3,594,563
Investments	8,549,782	9,789,573
Net OPEB asset	1,516,000	-
Capital assets - Net	85,161,019	82,339,293
	<u>95,262,462</u>	<u>95,723,429</u>
Total noncurrent assets		
	<u>102,508,726</u>	<u>102,368,260</u>
Total assets		
<b>Deferred Outflows of Resources</b>		
Pension costs	5,606,617	11,017,389
OPEB costs	1,553,590	871,139
	<u>7,160,207</u>	<u>11,888,528</u>
Total deferred outflows of resources		
	<u>\$ 109,668,933</u>	<u>\$ 114,256,788</u>
Total Assets and Deferred Outflows of Resources		

# Shawnee State University

## Statement of Net Position (Continued) University

	June 30	
	2020	2019
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,312,768	\$ 1,039,300
Accrued wages and benefits	3,106,668	3,576,463
Compensated absences payable	206,986	191,666
Long-term debt	950,040	687,945
Accrued interest payable	54,144	55,781
Unearned revenue	1,668,027	1,875,899
Deposits held by and due to others	<u>127,572</u>	<u>134,069</u>
Total current liabilities	7,426,205	7,561,123
<b>Noncurrent Liabilities</b>		
Compensated absences payable	1,862,875	1,724,992
Net pension liability	33,231,975	40,931,803
Net OPEB liability	8,745,723	7,110,574
Long-term debt	<u>18,520,555</u>	<u>19,470,595</u>
Total noncurrent liabilities	<u>62,361,128</u>	<u>69,237,964</u>
Total liabilities	69,787,333	76,799,087
<b>Deferred Inflows of Resources</b>		
Service concession agreements	288,000	92,528
Pension costs	7,140,070	4,636,709
OPEB costs	3,699,583	2,955,582
Bond refunding	<u>448,467</u>	<u>480,501</u>
Total deferred inflows of resources	11,576,120	8,165,320
<b>Net Position</b>		
Net investment in capital assets	66,271,979	66,457,561
Restricted:		
Expendable		
Loans	212,907	212,906
Other	36,339	36,339
Unrestricted	<u>(38,215,745)</u>	<u>(37,414,425)</u>
Total net position	<u>28,305,480</u>	<u>29,292,381</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><b>\$ 109,668,933</b></u>	<u><b>\$ 114,256,788</b></u>



# Shawnee State University

## Statement of Net Assets Development Foundation

	June 30	
	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,911,896	\$ 833,833
Investments	17,572,011	18,743,975
Contributions receivable - Net	289,280	330,684
Lease receivable from related party	19,837	22,006
Grant receivable	162,340	196,914
Other receivable	-	36,353
Beneficial interest in trusts held by others	773,006	796,980
Cash surrender value of life insurance	265,383	277,702
Other assets	70,654	72,590
Net property and equipment	9,728,128	9,962,366
<b>Total assets</b>	<b>\$ 30,792,535</b>	<b>\$ 31,273,403</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 360,197	\$ 14,823
Accrued real estate tax	15,938	15,597
Grant payable	162,340	196,914
Other payable	10,000	20,000
Deposits held and due to others	4,975	6,822
Annuity payment liability	416,621	239,263
Note payable	3,773,502	3,948,916
<b>Total liabilities</b>	<b>4,743,573</b>	<b>4,442,335</b>
<b>Net Assets</b>		
Without donor restrictions	7,799,397	8,052,310
With donor restrictions	18,249,565	18,778,758
<b>Total net assets</b>	<b>26,048,962</b>	<b>26,831,068</b>
<b>Total liabilities and net assets</b>	<b>\$ 30,792,535</b>	<b>\$ 31,273,403</b>

# Shawnee State University

## Statement of Revenue, Expenses, and Changes in Net Position University

	Year Ended June 30	
	2020	2019
<b>Operating Revenue</b>		
Student tuition and fees (net of scholarship allowances of \$11,672,038 in 2020 and \$10,496,856 in 2019)	\$ 19,082,443	\$ 18,728,350
Federal grants and contracts	2,640,149	1,867,320
State grants and contracts	1,147,120	656,136
Local grants and contracts	358,719	396,733
Private gifts, grants, and contracts	303,010	343,203
Sales and services	1,654,788	2,038,280
Miscellaneous	387,630	645,169
Total operating revenue	25,573,859	24,675,191
<b>Operating Expenses</b>		
Education and general:		
Instruction and departmental research	17,356,628	15,586,625
Public service	3,323,789	2,331,144
Academic support	2,633,021	2,813,696
Student services	4,956,280	4,775,638
Institutional support	10,989,883	11,594,379
Operation and maintenance of plant	4,024,285	4,525,012
Scholarships and fellowships	5,315,602	4,796,425
Depreciation expense	4,040,030	3,687,479
Auxiliary enterprises	5,990,591	6,034,425
Total operating expenses	58,630,109	56,144,823
<b>Operating Loss</b>	(33,056,250)	(31,469,632)
<b>Nonoperating Revenue (Expenses)</b>		
State appropriations	17,040,109	15,713,910
Federal, state, and local grants and contracts	11,546,961	9,598,061
Private grants and contracts	1,222,710	1,096,159
Investment income	323,292	578,900
Interest on capital asset-related debt	(606,535)	(409,363)
Loss on disposal of capital assets	-	(360)
Net nonoperating revenue	29,526,537	26,577,307
<b>Change in Net Position Before Capital Appropriations</b>	(3,529,713)	(4,892,325)
<b>Other Revenue - Capital appropriations</b>	2,542,812	2,448,624
<b>(Decrease) Increase in Net Position</b>	(986,901)	(2,443,701)
<b>Net Position - Beginning of year</b>	29,292,381	31,736,082
<b>Net Position - End of year</b>	<b>\$ 28,305,480</b>	<b>\$ 29,292,381</b>

# Shawnee State University

## Statement of Activities Development Foundation Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions	\$ 118,114	\$ 581,032	\$ 699,146
Investment income - Net	25,552	266,929	292,481
Change in value of split-interest agreements	-	(11,518)	(11,518)
Federal grant revenue	-	358,719	358,719
Other income	163,055	3,272	166,327
Rental income	410,168	-	410,168
Net assets released from restrictions	<u>1,727,627</u>	<u>(1,727,627)</u>	<u>-</u>
 Total revenue and other support	 2,444,516	 (529,193)	 1,915,323
<b>Expenses</b>			
Program services:			
Scholarships and other student aid	941,548	-	941,548
Institutional support	861,855	-	861,855
Total program services	<u>1,803,403</u>	<u>-</u>	<u>1,803,403</u>
Management and general expenses	281,258	-	281,258
Rental activities	505,867	-	505,867
Fundraising	<u>106,901</u>	<u>-</u>	<u>106,901</u>
 Total expenses	 <u>2,697,429</u>	 <u>-</u>	 <u>2,697,429</u>
 <b>Change in Net Assets</b>	 (252,913)	 (529,193)	 (782,106)
 <b>Net Assets - Beginning of year</b>	 <u>8,052,310</u>	 <u>18,778,758</u>	 <u>26,831,068</u>
 <b>Net Assets - End of year</b>	 <u><u>\$ 7,799,397</u></u>	 <u><u>\$ 18,249,565</u></u>	 <u><u>\$ 26,048,962</u></u>

# Shawnee State University

## Statement of Activities (Continued) Development Foundation Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions	\$ 178,218	\$ 661,202	\$ 839,420
Investment income - Net	123,365	965,373	1,088,738
Change in value of split-interest agreements	-	(162,251)	(162,251)
Federal grant revenue	-	396,733	396,733
Other income	-	61,340	61,340
Rental income	407,381	-	407,381
Net assets released from restrictions	1,951,871	(1,951,871)	-
	<hr/>	<hr/>	<hr/>
Total revenue and other support	2,660,835	(29,474)	2,631,361
<b>Expenses</b>			
Program services:			
Scholarships and other student aid	658,960	-	658,960
Institutional support	937,583	-	937,583
Total program services	1,596,543	-	1,596,543
Management and general expenses	243,354	-	243,354
Rental activities	518,643	-	518,643
Fundraising	192,968	-	192,968
	<hr/>	<hr/>	<hr/>
Total expenses	2,551,508	-	2,551,508
<b>Change in Net Assets</b>	109,327	(29,474)	79,853
<b>Net Assets - Beginning of year, as restated</b>	<hr/> 7,942,983	<hr/> 18,808,232	<hr/> 26,751,215
<b>Net Assets - End of year</b>	<hr/> <b>\$ 8,052,310</b>	<hr/> <b>\$ 18,778,758</b>	<hr/> <b>\$ 26,831,068</b>

# Shawnee State University

## Statement of Cash Flows University

	Year Ended June 30	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Cash received from tuition, fees, and other student charges	\$ 18,767,874	\$ 20,060,967
Cash received from gifts, grants, and contracts	4,133,324	2,746,727
Cash received from sales and services	1,547,486	2,140,510
Cash received from miscellaneous services	387,630	645,169
Cash payments to suppliers for goods and services	(15,402,070)	(13,061,112)
Cash payments to employees for services	(24,860,683)	(25,496,423)
Cash payments for employee benefits	(9,113,327)	(10,683,127)
Cash payments for scholarships and fellowships	(5,315,602)	(4,796,425)
Net cash used in operating activities	(29,855,368)	(28,443,714)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	17,040,109	15,713,910
Nonexchange gifts, grants, and contracts	12,187,137	10,955,930
Federal direct student loan program receipts	16,147,806	16,024,838
Federal direct student loan program disbursements	(15,702,982)	(16,312,869)
Net cash from agency transactions	(6,497)	3,690
Net cash provided by noncapital financing activities	29,665,573	26,385,499
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	2,560,280	2,768,972
Payments for capital acquisitions	(6,078,854)	(4,862,605)
Principal payments	(655,000)	(966,617)
Interest payments	(673,151)	(695,889)
Net cash used in capital and related financing activities	(4,846,725)	(3,756,139)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	332,797	570,894
Proceeds for sales and maturities of investments	12,107,401	4,534,836
Proceeds for sales of restricted investments	3,558,902	2,027,522
Purchases of securities	(11,455,041)	(529,501)
Net cash provided by investing activities	4,544,059	6,603,751
<b>Net Change in Cash and Cash Equivalents</b>	(492,461)	789,397
<b>Cash and Cash Equivalents - Beginning of year</b>	1,936,155	1,146,758
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,443,694</b>	<b>\$ 1,936,155</b>

# Shawnee State University

## Statement of Cash Flows (Continued) University

	Year Ended June 30	
	2020	2019
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (33,056,250)	\$ (31,469,632)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,040,030	3,687,479
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which provided (used) cash:		
Accounts receivable	(465,454)	1,198,786
Notes receivable	(4,023)	860
Prepaid items	(457,728)	(167,152)
Inventory	4,247	7,947
Accounts payable	273,468	(963,625)
Accrued wages and benefits	(469,795)	(53,311)
Compensated absences payable	153,203	109,724
Unearned revenue	(268,070)	44,680
Net OPEB asset	(1,516,000)	-
Net pension liability	(7,699,828)	4,442,269
Net OPEB liability	1,635,149	(4,663,787)
Deferred outflows of resources - Net pension expense	5,410,772	(564,775)
Deferred outflows of resources - Net OPEB pension expense	(682,451)	(70,090)
Deferred inflows of resources - Net pension expense	2,503,361	(1,860,295)
Deferred inflows of resources - Net OPEB expense	744,001	1,877,208
Net cash used in operating activities	<u>\$ (29,855,368)</u>	<u>\$ (28,443,714)</u>

## Note 1 - Reporting Entity

Shawnee State University (the "University") is a state institution of higher education created in 1986 by the Ohio General Assembly under House Bill 739. The University is one of several state-supported universities in the state of Ohio (the "State"). The University is a component unit of the State and is included as a discretely presented component unit in the State's Comprehensive Annual Financial Report. It is declared by statute to be a body politic and corporate and an instrumentality of the State. The University is governed by a nine-member board of trustees, which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the University. The trustees are appointed for staggered nine-year terms by the governor with the advice and consent of the State Senate. In addition, two nonvoting student members are appointed to the board of trustees for staggered two-year terms.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 - Omnibus*, provide guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting as a component unit an organization that raises and holds significant economic resources for the direct benefit of a government unit.

Shawnee State University Development Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's board of trustees is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources the Foundation holds and invests are restricted by the donors to the activities of the University. 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 Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board. A separate financial report for the Foundation is available by contacting The Shawnee State University

## Note 1 - Reporting Entity (Continued)

Development Foundation, 940 Second Street, Portsmouth, Ohio, 45662 or by calling 740-351-3284.

The financial statements of the University have been prepared on the accrual basis and are in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant Shawnee State University accounting policies are described below.

## Note 2 - Summary of Significant Accounting Policies

**Basis of Presentation** - In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and subsequent standards issued by the GASB, the accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the US. The University has elected to report as an entity engaged in business-type activities.

When an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, it is the University's policy to apply restricted resources first, then unrestricted resources as needed.

The financial statements presentation is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, expenses, changes in net position, and cash flows.

**Basis of Accounting** - The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Shawnee State University's financial statements are prepared using the accrual basis of accounting.

Operating revenue is recorded on the accrual basis when the exchange takes place. Non operating revenues are derived from more passive efforts related to the acquisition of the revenue rather than the earning of it. Expenses are recognized at the time they are incurred.

**Cash and Cash Equivalents** - Cash consists primarily of petty cash, cash in banks, and money market accounts. Cash equivalents are short-term highly liquid investments readily convertible to cash with original maturities of three months or less.



## Note 2 - Summary of Significant Accounting Policies (Continued)

**Accounts Receivable** - Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, staff, the majority of each residing in the state of Ohio. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Prepaid Items** - Payments made to vendors for services that will benefit periods beyond the year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year in which the services are consumed.

**Restricted Investments** – Amounts represent the unspent bond proceeds invested in eligible securities as defined by the Series 2016 Bond agreements and are restricted for bond related capital projects.

**Investments** - Investments, which include investment contracts and money market investments that have a remaining maturity of one year or less at the time of purchase, are reported at fair value. The University has an investment management agreement with TIAA, as permitted by state statute. The agreement allows (within statute limits) investment in both debt and equity instruments. All investments are carried at fair value.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2020 and 2019, respectively.

**Capital Assets** - Capital assets utilized by Shawnee State University are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. Shawnee State University maintains a capitalization threshold of \$5,000 for movable equipment and \$100,000 for buildings. Building improvement

## Note 2 - Summary of Significant Accounting Policies (Continued)

projects over \$100,000 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or significantly extend an asset's life are not capitalized.

All reported capital assets except for land, land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25-50 years
Machinery and equipment	5-20 years
Licensed vehicles	5-10 years
Library books	10 years

Shawnee State University's policy is to capitalize net interest on construction projects until completion of the project. The amount of the capitalized interest is the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. The University recorded \$0 and \$222,268 of capitalized interest as of June 30, 2020 and 2019, respectively. The University did not record capitalized interest in 2020 due to completion of construction projects associated with the Bond Series 2016.

**Compensated Absences** - Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability will include employees currently eligible to receive termination benefits and those Shawnee State University had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employee's wage rate at year end, taking into consideration any limits specified in Shawnee State University's termination policy.

**Unearned Revenue** - Unearned revenue is predominantly made up of two categories of income. The first consists of receipts relating to tuition and student fees in advance of the services to be provided. The University will recognize revenue to the extent these services are provided over the coming fiscal year.

The remaining source of unearned revenue consists of grant funding received from the grantor prior to occurrence of allowable grant expenses. Revenue will be recognized as expenses are incurred.

## Note 2 - Summary of Significant Accounting Policies (Continued)

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense. Information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and State Teachers Retirement System of Ohio Pension Plan (STRS) and additions to/deductions from STRS' and OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS and OPERS. STRS and OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and State Teachers Retirement System of Ohio (STRS) Pension Plan and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows of Resources** - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 13.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government

## Note 2 - Summary of Significant Accounting Policies (Continued)

reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 13. Defeasance of bond and service concession agreement amounts are included as deferred inflow of resources since they are recognized in a future period.

**Net Position** - GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.
- **Restricted** - Owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net position category is subdivided further into expendable and nonexpendable.
  - **Restricted Expendable** - May be spent by the institution, but only for the purpose specified by the donor, or other external entity. This category includes the unspent balance in loan funds, debt service funds, and bond-funded capital projects.
  - **Restricted Nonexpendable** - Endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
- **Unrestricted** - Resources whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties.

**Income Taxes** - The University is an organization described in Section 115 of the Internal Revenue Code (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenue is considered unrelated business income and may be taxable under Code Sections 511 through 513.

## Note 2 - Summary of Significant Accounting Policies (Continued)

**Self-Insurance** - The University is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. Aggregate stop-loss insurance is maintained for benefit payments that exceed the maximum limits outlined in the policy. A liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, is recorded.

**Classification of Revenue** - Revenue is classified as either operating or nonoperating.

- Operating revenue includes revenue from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.
- Nonoperating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations and certain federal, state, local, and private gifts, and grants. The implication is that such revenue is derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

**Scholarship Discounts and Allowances** - Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the statement of revenue, 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 the students' behalf. Certain federal, state, local, and nongovernmental grants are recorded as either operating or nonoperating revenue in the University's financial statements based on whether or not they are considered exchange transactions. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Service Concession Arrangements** - The University entered into an agreement in 2019 with a new food service provider, which is a service concession arrangement. As part of the arrangement, the service provider is funding dining hall renovations on the University's behalf over the 10-year period of the contract, contingent upon the University utilizing the services of the food service provider for the period. As amounts are funded, they are recorded as deferred inflows and amortized over the remaining life of the contract. The University fulfilled the prior service concession agreement in 2019. Under GASB Statement No. 60,

## Note 2 - Summary of Significant Accounting Policies (Continued)

*Accounting and Financial Reporting for Service Concession Arrangements*, service concession arrangements are to be reported as deferred inflows/outflows of resources. The University recorded deferred inflows of resources of \$288,000 and \$92,528 at June 30, 2020 and 2019, respectively.

**Budgetary Process** - Although not required under the Ohio Revised Code, estimated budgets are adopted by the University board of trustees in the current fiscal year for the following fiscal year. As part of budgetary control, purchase orders, contracts, and other commitments are recorded as the equivalent of an expense on the budgetary basis in order to reserve that portion of the applicable encumbrance.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue during the reporting period. Actual results could differ from those estimates.

**Reclassification** – In the 2019 financial statements, \$550,595 in noncurrent liabilities unearned revenue has been reclassified to noncurrent long-term debt to conform to GASB presentation guidance. The reclassification increased 2019 noncurrent long-term debt to \$19,470,595.

**Upcoming Accounting Pronouncements** - As of June 30, 2020, the GASB has issued the following statements not yet implemented by the University:

- **Accounting for Fiduciary Activities** - In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. Additionally, in June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which clarifies guidance provided in GASB 84. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2020 and were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The University is currently evaluating the impact of this standard, specifically related to holding assets for other organizations.

## Note 2 - Summary of Significant Accounting Policies (Continued)

- **Accounting for Leases** - In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is not expected to have a significant effect on the University's financial statements. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2021 and were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

- **Accounting for Interest Cost Incurred Before the End of a Construction Period** – In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2021 and were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

**COVID -19 Pandemic** - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the University's operations were also impacted. Due to the "shelter-at-home" guidelines during April through June 2020 the University shifted to a remote online learning environment and recommended students should return home. Shawnee State University issued room and board refunds to students. The University

## Note 2 - Summary of Significant Accounting Policies (Continued)

sustained a reduction of \$673,531 in state appropriations in May and June 2020 as a result of COVID-19 impact on State of Ohio financial position. The University also had many conference or athletic events cancelled or temporarily postponed until the “shelter-at-home” guidelines were reduced or removed, which resulted in lost revenues for the University for the year ended June 30, 2020. The University implemented a summer furlough program that went into effect May 23, 2020, and included full and partial furloughs of employees in administrative and staff positions. During the furlough employees could apply for unemployment benefits; those partially furloughed were eligible to participate in the Ohio Department of Job and family services shared/Work Ohio program. To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The University was allocated Higher Education Emergency Relief Fund (HEERF) awards totaling \$3.4M. Of the total award, no less than 50 percent (\$1.7M) was required to be disbursed directly to students to provide emergency financial aid grants. For the year ended June 30, 2020, the University disbursed \$506,928 of HEERF emergency grants to students. The remaining \$1.7M HEERF award may only be used by the University to cover any costs associated with significant changes to the delivery of instruction due to COVID-19. For the year ended June 30, 2020, the University recorded \$506,928 of HEERF funds to cover eligible expenses of the University. The severity of the continued impact due to COVID-19 on the University’s financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University’s community, all of which are uncertain and cannot be predicted. Preliminary enrollment numbers for fall 2020 indicate a reduction in enrollment from fall 2019 due to the pandemic.

**Subsequent Events** – In August 2020, the University received \$1,810,959 from the State of Ohio Department of Higher Education in CARES Act - Coronavirus Relief Funds. This funding is a federal pass-through from the US Department of Treasury (CFDA #21.019). In October 2020, the University received a \$176,226 HEERF- Strengthening Institutions Program (CFDA #84.425M) award notification from the Department of Education.

## Note 3 - Deposits and Investments

**Deposits** - At June 30, 2020, the carrying amount of the University’s deposits (which consist of cash, excluding cash on hand of \$2,240, deposits held by trustee, and investments) was \$1,441,454 and the bank balance was \$1,706,290. The difference in the carrying amount and bank balance primarily results from outstanding checks. Of the bank balance, \$250,000 is covered by the Federal



# Shawnee State University

## Notes to Financial Statements June 30, 2020 and 2019

### Note 3 - Deposits and Investments (Continued)

Deposit Insurance Corporation. At June 30, 2019, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$2,827, deposits held by trustee, and investments) was \$1,933,328 and the bank balance was \$824,327.

**Investments** - All investments are stated at fair value. Investments received by gift are stated at fair value at the date of gift if a fair value is available, and otherwise at an appraised or nominal value.

As of June 30, 2020, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Value	Investment Maturities (in years)		
		<1	1-5	More than 5
U.S. govt. and agency bonds	\$ 1,736,746	\$ -	\$ 570,687	\$ 1,166,059
Corporate bonds and notes	1,594,375	-	738,683	855,692
Fixed-income mutual funds	1,735,135	1,735,135	-	-
Money market funds	2,289,874	2,289,874	-	-
STAR Ohio funds	194,983	194,983	-	-
Total	7,551,113	\$ 4,219,992	\$ 1,309,370	\$ 2,021,751
Equities and equity funds	1,034,330			
Total	\$ 8,585,443			

### Note 3 - Deposits and Investments (Continued)

As of June 30, 2019, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Value	Investment Maturities (in years)		
		<1	1-5	More than 5
U.S. govt. and agency bonds	\$ 1,561,515	\$ 296,503	\$ 588,939	\$ 676,073
Corporate bonds and notes	1,566,401	183,461	715,891	667,049
Fixed-income mutual funds	1,528,691	1,528,691	-	-
Money market funds	5,981,325	5,981,325	-	-
STAR Ohio funds	191,776	191,776	-	-
<b>Total</b>	<b>10,829,708</b>	<b>\$ 8,181,756</b>	<b>\$ 1,304,830</b>	<b>\$ 1,343,122</b>
Equities and equity funds	<u>2,554,428</u>			
<b>Total</b>	<b>\$ <u>13,384,136</u></b>			

Restricted investments at June 30, 2020 and 2019 are shown in the statement of net position as noncurrent assets in the amount of \$35,661 and \$3,594,563, respectively. Investments at June 30, 2020 and 2019 are shown in the statement of net position as noncurrent assets in the amount of \$8,549,782 and \$9,789,573, respectively.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits investments in fixed-income securities to government and agency issues and corporate issues in the top four quality rating of recognized credit services. Other than for alternative investments, investments below investment grade and derivatives are specifically prohibited.

As of June 30, 2020, and 2019, the University had the following investments and quality ratings:

### Note 3 - Deposits and Investments (Continued)

Investment Type	Rating	2020 Fair Value	2019 Fair Value
U.S. govt. and agency bonds	AAA	\$ -	\$ 56,607
	AA+	1,736,746	1,504,908
Corporate bonds and notes	AAA	-	349,779
	AA	334,587	156,683
	A	680,665	594,056
	BBB	579,123	465,883
Fixed-income mutual funds	AAA	1,735,135	1,528,691
Money market funds	AAA	-	3,594,563
	AA+	2,289,874	2,386,762
STAR Ohio funds	AAA	194,983	191,776
		\$ 7,551,113	\$ 10,829,708

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's investment policy limits investment in any single issue other than U.S. government securities to 5.0 percent of the total investment portfolio.

### Note 4 - Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where by inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

### Note 4 - Fair Value Measurements (Continued)

The University has the following assets with recurring fair value measurements as of June 30, 2020 and 2019:

	Balance at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. govt. and agency bonds	\$ 1,736,746	\$ 1,736,746	\$ -	\$ -
Corporate bonds and notes	1,594,375	-	1,594,375	-
Total debt securities	3,331,121	1,736,746	1,594,375	-
Mutual funds:				
Fixed-income mutual funds	1,735,135	1,735,135	-	-
Equity mutual funds	1,034,330	1,034,330	-	-
Money market mutual funds	2,289,874	2,289,874	-	-
Total mutual funds	5,059,339	5,059,339	-	-
Total investments by fair value level	\$ 8,390,460	\$ 6,796,085	\$ 1,594,375	\$ -

### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. govt. and agency bonds	\$ 1,561,515	\$ 1,561,515	\$ -	\$ -
Corporate bonds and notes	1,566,401	-	1,566,401	-
Total debt securities	3,127,916	1,561,515	1,566,401	-
Mutual funds:				
Fixed-income mutual funds	1,528,691	1,528,691	-	-
Equity mutual funds	2,554,428	2,554,428	-	-
Money market mutual funds	5,981,325	5,981,325	-	-
Total mutual funds	10,064,444	10,064,444	-	-
Total investments by fair value level	\$ 13,192,360	\$ 11,625,959	\$ 1,566,401	\$ -

## Note 4 - Fair Value Measurements (Continued)

Short-term investment and investments on the statement of net position at June 30, 2020 and 2019 include investments in STAR Ohio of \$194,983 and \$191,776, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

## Note 5 - Accounts Receivable

The composition of accounts receivable at June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Student tuition and fees	\$ 4,112,361	\$ 4,502,538
Grants and contracts	2,606,111	1,821,342
Other	17,947	13,010
Total accounts receivable	6,736,419	6,336,890
Less allowance for doubtful accounts	(1,815,604)	(2,095,257)
Accounts receivable - Net	\$ 4,920,815	\$ 4,241,633

# Shawnee State University

## Notes to Financial Statements June 30, 2020 and 2019

### Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Reclass and Additions	Reductions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 8,003,370	\$ -	\$ -	\$ 8,003,370
Land improvements	6,928,631	-	-	6,928,631
Construction in progress	<u>10,001,629</u>	<u>2,446,218</u>	<u>(9,909,101)</u>	<u>2,538,746</u>
Total capital assets not being depreciated	24,933,630	2,446,218	(9,909,101)	17,470,747
Capital assets being depreciated:				
Buildings and improvements	107,691,458	13,737,209	-	121,428,667
Equipment	15,365,021	581,910	-	15,946,931
Library books	<u>3,984,738</u>	<u>5,520</u>	<u>(1,062)</u>	<u>3,989,196</u>
Total capital assets being depreciated	127,041,217	14,324,639	(1,062)	141,364,794
Less accumulated depreciation:				
Buildings and improvements	(52,279,441)	(3,483,640)	-	(55,763,081)
Equipment	(13,561,237)	(512,469)	-	(14,073,706)
Library books	<u>(3,794,876)</u>	<u>(43,921)</u>	<u>1,062</u>	<u>(3,837,735)</u>
Total accumulated depreciation	<u>(69,635,554)</u>	<u>(4,040,030)</u>	<u>1,062</u>	<u>(73,674,522)</u>
Total capital assets being depreciated - Net	<u>57,405,663</u>	<u>10,284,609</u>	<u>-</u>	<u>67,690,272</u>
Capital assets - Net	<u>\$ 82,339,293</u>	<u>\$ 12,730,827</u>	<u>\$ (9,909,101)</u>	<u>\$ 85,161,019</u>

As of June 30, 2020, the total of outstanding commitments for capital projects was \$106,223. This amount consists of \$70,717 for Capital Projects funded by the State of Ohio and \$35,506 for Capital Projects funded by the University and Bond Series 2016 funds.

### Note 6 - Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Reclass and Additions	Reductions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 8,003,370	\$ -	\$ -	\$ 8,003,370
Land improvements	6,928,631	-	-	6,928,631
Construction in progress	<u>5,531,877</u>	<u>4,823,384</u>	<u>(353,632)</u>	<u>10,001,629</u>
Total capital assets not being depreciated	20,463,878	4,823,384	(353,632)	24,933,630
Capital assets being depreciated:				
Buildings and improvements	107,691,458	-	-	107,691,458
Equipment	15,430,818	86,393	(152,190)	15,365,021
Library books	<u>4,035,489</u>	<u>7,017</u>	<u>(57,768)</u>	<u>3,984,738</u>
Total capital assets being depreciated	127,157,765	93,410	(209,958)	127,041,217
Less accumulated depreciation:				
Buildings and improvements	(49,336,605)	(2,942,836)	-	(52,279,441)
Equipment	(13,018,316)	(694,751)	151,830	(13,561,237)
Library books	<u>(3,802,752)</u>	<u>(49,892)</u>	<u>57,768</u>	<u>(3,794,876)</u>
Total accumulated depreciation	<u>(66,157,673)</u>	<u>(3,687,479)</u>	<u>209,598</u>	<u>(69,635,554)</u>
Total capital assets being depreciated - Net	<u>61,000,092</u>	<u>(3,594,069)</u>	<u>(360)</u>	<u>57,405,663</u>
Capital assets - Net	<u>\$ 81,463,970</u>	<u>\$ 1,229,315</u>	<u>\$ (353,992)</u>	<u>\$ 82,339,293</u>

### Note 7 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees and administrators earn 10-25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Vacation time may be accumulated up to a maximum of twice the employee's current accrual rate. Faculty does not accrue vacation time.

Faculty, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum by all personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of 40 days for qualifying employees.

### Note 8 - Long-term Obligations

The changes in the University's long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding July 1, 2019	Additions	Deductions	Principal Outstanding June 30, 2020	Current Portion
General Receipt Bonds, Series 2016	\$ 19,575,000	\$ -	\$ 655,000	\$ 18,920,000	\$ 915,000
Unamortized bond premium	583,540	-	32,945	550,595	35,040
Sub total long-term debt	20,158,540	-	687,945	19,470,595	950,040
Compensated absences	1,916,658	330,608	177,405	2,069,861	206,986
Total long-term liabilities	<u>\$ 22,075,198</u>	<u>\$ 330,608</u>	<u>\$ 865,350</u>	<u>\$ 21,540,456</u>	<u>\$ 1,157,026</u>

The changes in the University's long-term obligations during fiscal year 2019 were as follows:

	Principal Outstanding July 1, 2018	Additions	Deductions	Principal Outstanding June 30, 2019	Current Portion
General Receipt Bonds, Series 2016	\$ 20,220,000	\$ -	\$ 645,000	\$ 19,575,000	\$ 655,000
Unamortized bond premium	608,171	-	24,631	583,540	32,945
Sub total long-term debt	20,828,171	-	669,631	20,158,540	687,945
Capital lease	321,617	-	321,617	-	-
Compensated absences	1,806,934	250,071	140,347	1,916,658	191,666
Total long-term liabilities	<u>\$ 22,956,722</u>	<u>\$ 250,071</u>	<u>\$ 1,131,595</u>	<u>\$ 22,075,198</u>	<u>\$ 879,611</u>



## Note 8 - Long-term Obligations (Continued)

In fiscal year 2017, the University issued \$20,845,000 of General Receipts Bonds, Series 2016, dated November 29, 2016, maturing at various dates through June 1, 2041 at coupon rates ranging from 2.0 percent to 4.0 percent. The net proceeds of the Series 2016 Bonds will be used to first pay for the costs of various improvements to the University's campus. Those improvements include the renovation and rehabilitation of existing facilities for athletics and student recreation, health and fitness, student housing renovations, and other campus improvements (collectively, the "Project"). Secondly, the funds will be utilized to advance refund all of the University's outstanding General Receipts Bonds, Series 2007, dated June 5, 2007 (the "Series 2007 Bonds") and finally to pay costs of issuance of the Series 2016 Bonds.

The University advance refunded the 2007 Series bonds to reduce its total debt service payments over the next 18 years by almost \$2.3 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.8 million.

In fiscal year 2007, the University issued \$18,000,000 of General Receipts Bonds, Series 2007, dated June 5, 2007, maturing at various dates through June 1, 2034 at coupon rates ranging from 4.0 percent to 5.0 percent. The Series 2007 Bonds were issued for the purpose of paying the costs to renovate and construct a new addition to its Morris University Center and for refunding the outstanding Series A and Series B Bonds.

In fiscal year 2013, the University entered into a capital lease agreement to fund an IT infrastructure upgrade project. The agreement totaled \$2,820,339 with various payment dates through October 1, 2016. In fiscal year 2015, the University added \$227,407 in net additional capital lease funding and revised the payment schedule to reduce annual payment amounts by extending payment dates through October 1, 2018. As of June 30, 2016, assets totaling \$3,047,632 were purchased utilizing these funds. The assets purchased are included within buildings. The University paid the final capital lease payment in October 2018.

The interest expense for fiscal years 2020 and 2019 was \$606,535 and \$409,363, respectively.

## Note 8 - Long-term Obligations (Continued)

Principal and interest amount due within each of the next five years and thereafter on the Series 2016 bond obligations outstanding at June 30, 2020 are as follows:

Years Ending June 30	Principal	Interest	Total
2021	\$ 915,000	\$ 649,725	\$ 1,564,725
2022	945,000	622,275	1,567,275
2023	970,000	593,925	1,563,925
2024	1,000,000	564,825	1,564,825
2025	1,020,000	544,825	1,564,825
2026-2030	5,670,000	2,149,675	7,819,675
2031-2035	5,775,000	988,925	6,763,925
2036-2040	2,150,000	314,125	2,464,125
2041	475,000	16,625	491,625
Total	<u>\$ 18,920,000</u>	<u>\$ 6,444,925</u>	<u>\$ 25,364,925</u>

## Note 9 - Leases

The University's operating leases consist of real property and movable equipment that expire in fiscal year 2029. Total expenditures during 2020 and 2019 under operating leases amounted to approximately \$88,000 each year.

## Note 10 - Contingencies

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a significant adverse effect on the overall financial statements of the University at June 30, 2020.

During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of university management, the disposition of all pending litigations would not have a significant adverse effect on the University's financial position.

## Note 11 - State Support

The University is a state-assisted institution of higher education, which receives a student-performance-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula managed by the Ohio Department of Higher Education, adjusted to state resources available. The University also receives a supplemental appropriation to support the goals of improving course completion, increasing the number of degrees conferred, and furthering the University's mission of service to the Appalachian region.

In addition to the performance-based subsidy and supplement, the State of Ohio provides funding for the construction of major plant facilities on the University's campus. State funding for the construction of university facilities is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn initiates the construction and subsequent lease of the facility by the Ohio Department of Higher Education. Upon completion of a facility, the Ohio Department of Higher Education turns over control to the University. The University capitalizes the costs of these facilities as construction is completed and payment is received from the Ohio Public Facilities Commission.

Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. These are funded through appropriations to the Ohio Department of Higher Education by the Ohio General Assembly.

The University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Capital Facilities Bond Service Fund, and future payments to be received by such fund, which is established in the custody of the Treasurer of State.

As a result of the above-described financial assistance provided by the State of Ohio to the University, outstanding debt issued by the Ohio Public Facilities Commission is not included on the University's statement of net position. In addition, appropriations by the General Assembly to the Ohio Department of Higher Education for payment of debt service charges are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

The University also receives direct appropriations from the State to fund capital improvements. These appropriations are reflected as appropriation revenue on the University's financial statements. The costs, both direct and indirect, are subject to examination and advance approval by the State of Ohio.

## Note 12 - Grants and Contracts

Revenue from grants and contracts is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the University must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the University on a reimbursement basis.

## Note 13 - Retirement Plans

**Plan Description** – The University participates in the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the law enforcement division of the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, with three options in STRS and OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio  
275 E. Broad Street  
Columbus, Ohio 43215  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

Ohio Public Employees Retirement System  
277 E. Town Street  
Columbus, Ohio 43215  
(800) 222-7377  
[www.opers.org](http://www.opers.org)

**Contributions** – State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by

## Note 13 – Retirement Plans (Continued)

employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2020 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution
	Postretirement			Total
	Pension	Healthcare	Total	
STRS	14.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	18.10%	13.00%

Member contributions are set at the maximums authorized by the ORC. The plans' 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution
	Postretirement			Total
	Pension	Healthcare	Total	
STRS	14.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	18.10%	13.00%

## Note 13 – Retirement Plans (Continued)

The University’s required and actual contributions to the plans are:

	For the years ended June 30	
	2020	2019
STRS	\$ 1,561,516	\$ 1,504,712
OPERS	1,364,769	1,479,444
Total	\$ 2,926,285	\$ 2,984,156

### Benefits Provided –

STRS – Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system’s funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual’s ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members’ beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs,

## Note 13 – Retirement Plans (Continued)

and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the “Board”) has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

OPERS – Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (5 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years’ service credit receive a percentage reduction in benefit, except for public safety and law enforcement participants. Member retirement benefits are calculated on a formula that considers years of service (5-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is an amount based on the average percentage increase in the Consumer Price Index, capped at 3.0 percent.

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2020, the net pension liability was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net pension liability was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS’ net pension liability’s actuarial valuation for the June 30, 2018 measurement date was dated July 1, 2018, which was rolled forward to the measurement date. The University’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the

# Shawnee State University

## Notes to Financial Statements June 30, 2020 and 2019

### Note 13 – Retirement Plans (Continued)

pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change 2020	Percent Change 2019
		2020	2019	2020	2019		
STRS	July 1	\$ 20,245,020	\$ 21,971,679	0.09155%	0.09993%	-8.39%	-5.46%
OPERS	December 31	12,986,955	18,960,124	0.06603%	0.06938%	-4.83%	-4.80%
Total		\$ 33,231,975	\$ 40,931,803				

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$214,305 and \$2,017,199, respectively. At June 30, 2020 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,898	\$ 267,292
Changes of assumptions	3,081,792	-
Net difference between projected and actual earnings on pension plan investments	-	3,601,091
Changes in proportion and differences between university contributions and proportionate share of contributions	135,799	3,271,687
University contributions subsequent to the measurement date	2,221,128	-
Total	\$ 5,606,617	\$ 7,140,070



### Note 13 – Retirement Plans (Continued)

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 510,991	\$ 409,138
Changes of assumptions	5,556,886	-
Net difference between projected and actual earnings on pension plan investments	2,587,646	1,332,338
Changes in proportion and differences between university contributions and proportionate share of contributions	255,242	2,895,235
University contributions subsequent to the measurement date	<u>2,106,624</u>	<u>-</u>
 Total	 <u>\$ 11,017,389</u>	 <u>\$ 4,636,709</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ (299,663)
2022	(1,655,376)
2023	(567,389)
2024	(1,235,826)
2025	935
Thereafter	2,736
	 <u>\$ (3,754,583)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

### Note 13 – Retirement Plans (Continued)

**Net OPEB Liability/(Asset), Deferrals, and OPEB Expense** – At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2018 and 2017, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

Typically, the University's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2019 and 2018, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS' calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2019 and 2018, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS's calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB Liability/(Asset)		Proportionate Share		Percent	Percent
		2020	2019	2020	2019	Change 2020	Change 2019
STRS	June 30	\$ (1,516,000)	\$ (1,606,000)	0.09155%	0.09993%	-8.39%	-5.46%
OPERS	December 31	8,745,723	8,716,574	0.06332%	0.06686%	-5.29%	-8.25%
Total		\$ 7,229,723	\$ 7,110,574				

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$180,699 and \$(2,856,669), respectively. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# Shawnee State University

## Notes to Financial Statements June 30, 2020 and 2019

### Note 13 – Retirement Plans (Continued)

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,235	\$ 876,837
Changes of assumptions	1,416,355	1,662,000
Net difference between projected and actual earnings on pension plan investments	-	540,330
Changes in proportion and differences between university contributions and proportionate share of contributions	-	620,416
University contributions subsequent to the measurement date	-	-
Total	<u>\$ 1,553,590</u>	<u>\$ 3,699,583</u>

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 190,503	\$ 117,206
Changes of assumptions	281,033	2,188,000
Net difference between projected and actual earnings on pension plan investments	399,603	183,000
Changes in proportion and differences between university contributions and proportionate share of contributions	-	467,376
University contributions subsequent to the measurement date	-	-
Total	<u>\$ 871,139</u>	<u>\$ 2,955,582</u>

## Note 13 – Retirement Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2021	\$ (469,428)
2022	(414,314)
2023	(367,678)
2024	(544,936)
2025	(346,368)
Thereafter	(3,269)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year.

**Actuarial Assumptions** – The total pension liability and OPEB liability is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for the University’s current year:

### Note 13 – Retirement Plans (Continued)

	STRS	OPERS
Valuation date - Pension	June 30, 2019	December 31, 2019
Valuation date - OPEB	June 30, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	1.40% to 3.0%
Salary increases, including inflation	2.5% - 12.5%	3.25% -10.25%
Inflation	2.50%	3.25%
Investment rate of return - Pension	7.45%, net of investment expense	7.2%, net of investment expense, including inflation
Investment rate of return - OPEB	7.45%, net of investment expense, including inflation	6.0% net of investment expense, including inflation
Health care cost trend rates	4.93% to 9.62% initial, 4% ultimate	10.5% initial, 3.5% ultimate in 2030
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

### Note 13 – Retirement Plans (Continued)

The following are actuarial assumptions for the University's prior year:

	STRS	OPERS
Valuation date - Pension	July 1, 2018	December 31, 2018
Valuation date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.15% - 3.0%
Salary increases, including inflation	2.5% - 12.5%	3.25% -10.75%
Inflation	2.50%	2.50%
Investment rate of return - Pension	7.45%, net of investment expense	7.2%, net of investment expense, including inflation
Investment rate of return - OPEB	7.45%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation
Health care cost trend rates	-5.23% to 9.62% initial, 4% ultimate	10.0% initial, 3.25% ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

**Pension Discount Rate** The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.45 percent for the plan years ended June 30, 2019 and 2018. The discount rates

## Note 13 – Retirement Plans (Continued)

used to measure the total pension liability for OPERS were 7.20 percent for the plan years ended December 31, 2019 and 2018.

**OPEB Discount Rate** –The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

*STRS – OPEB Discount Rate:* The discount rate used to measure the total OPEB liabilities were 7.45 percent for the plan years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*OPERS – OPEB Discount Rate:* The discount rate used to measure the total OPEB liabilities were 3.16 percent and 3.96 percent for the plan years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.0 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent and 3.71 percent at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

### Note 13 – Retirement Plans (Continued)

The long-term expected rate of return on pension plan and OPEB 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 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. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS - as of 7/1/19			OPERS - as of 12/31/19				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Pension Portfolio		Health Care Portfolio		
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	
Domestic equity	28.00%	7.35%	Fixed income	25.00%	1.83%	36.00%	1.53%
International equity	23.00%	7.55%	Domestic equities	19.00%	5.75%	21.00%	5.75%
Alternatives	17.00%	7.09%	Real estate	10.00%	5.20%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	12.00%	10.70%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	21.00%	7.66%	23.00%	7.66%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.69%
			Other Investments	13.00%	4.98%	14.00%	4.90%
Total	100.00%		Total	100.00%		100.00%	

STRS - as of 7/1/18			OPERS - as of 12/31/18				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Pension Portfolio		Health Care Portfolio		
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	
Domestic equity	28.00%	5.10%	Fixed income	23.00%	2.79%	34.00%	2.42%
International equity	23.00%	5.30%	Domestic equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	4.84%	Real estate	10.00%	4.90%	0.00%	0.00%
Fixed income	21.00%	0.75%	Private equity	10.00%	10.81%	0.00%	0.00%
Real estate	10.00%	3.75%	International equity	20.00%	7.83%	22.00%	7.83%
Liquidity reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.98%
			Other Investments	18.00%	5.50%	17.00%	5.57%
Total	100.00%		Total	100.00%		100.00%	



### Note 13 – Retirement Plans (Continued)

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University’s net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate:

Plan	1.00 Percent Decrease		2020 Current Discount Rate		1.00 Percent Increase	
	STRS	6.45%	\$ 29,585,842	7.45%	\$ 20,245,020	8.45%
OPERS	6.20%	21,485,950	7.20%	12,986,955	8.20%	5,351,104
		<u>\$ 51,071,792</u>		<u>\$ 33,231,975</u>		<u>\$ 17,688,640</u>

Plan	1.00 Percent Decrease		2019 Current Discount Rate		1.00 Percent Increase	
	STRS	6.45%	\$ 32,086,745	7.45%	\$ 21,971,679	8.45%
OPERS	6.20%	28,055,720	7.20%	18,960,124	8.20%	11,404,228
		<u>\$ 60,142,465</u>		<u>\$ 40,931,803</u>		<u>\$ 24,814,876</u>

**Sensitivity of the net OPEB liability to changes in the discount rate** – The following presents the net OPEB liability of the University, calculated using the discount rate listed below, as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate:

#### Changes in the Discount Rate

Plan	1.00 Percent Decrease		2020 Current Discount Rate		1.00 Percent Increase	
	STRS	6.45%	\$ (1,293,804)	7.45%	\$ (1,516,000)	8.45%
OPERS	2.16%	11,445,181	3.16%	8,745,723	4.16%	6,584,335
		<u>\$ 10,151,377</u>		<u>\$ 7,229,723</u>		<u>\$ 4,881,089</u>

### Note 13 – Retirement Plans (Continued)

2019						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$ (1,376,255)	7.45%	\$ (1,606,000)	8.45%	\$ (1,798,580)
OPERS	2.96%	<u>11,151,748</u>	3.96%	<u>8,716,574</u>	4.96%	<u>6,779,968</u>
		<u>\$ 9,775,493</u>		<u>\$ 7,110,574</u>		<u>\$ 4,981,388</u>

**Sensitivity of the net OPEB liability to changes in the health care cost trend rate** – The following presents the net OPEB liability of the University, calculated using the healthcare cost trend rate listed below, as well as what the University’s net OPEB liability would be if it were calculated using a health care cost trend rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate:

#### Changes in Health Care Cost Trend Rate

2020						
Plan	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS		\$ (1,719,340)		\$ (1,516,000)		\$ (1,267,479)
OPERS		<u>8,487,644</u>		<u>8,745,723</u>		<u>9,000,512</u>
		<u>\$ 6,768,304</u>		<u>\$ 7,229,723</u>		<u>\$ 7,733,033</u>

2019						
Plan	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS		\$ (1,787,693)		\$ (1,606,000)		\$ (1,420,918)
OPERS		<u>8,378,519</u>		<u>8,716,574</u>		<u>9,105,923</u>
		<u>\$ 6,590,826</u>		<u>\$ 7,110,574</u>		<u>\$ 7,685,005</u>

## Note 13 – Retirement Plans (Continued)

**Pension plan and OPEB plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued STRS/OPERS financial report.

**Assumption changes** – During the measurement periods ended June 30, 2019 and December 31, 2019, respectively, certain assumption changes were made by the plans. The SERS OPEB discount rates was reduced from 3.70 percent to 3.22 percent, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2019. The OPERS OPEB discount rate was reduced from 3.96 percent to 3.16 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2019.

**Benefit changes** – There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for STRS. Effective in 2022, OPERS will replace the current self-insured group plan with a marketplace concept for pre-Medicare retirees.

**Defined Contribution Pension Plan** - The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University’s Board of Trustees adopted the University’s plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of three providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled. Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee’s share of retirement contributions to one of three private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 9.53 and 9.53 percent for STRS and 11.56 and 11.56 percent for OPERS for the years ended June 30, 2020 and 2019. If the employee was hired

## Note 13 – Retirement Plans (Continued)

on or after August 2005, the employer contributes 6.0 percent. The employer also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2020 and 2019, employee contributions totaled \$571,528 and \$638,892, and the University recognized pension expense of \$636,650 and \$708,292, respectively.

## Note 14 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To address these exposures and reduce premiums, the University is a member of the Inter-University Council of Ohio Insurance Consortium (IUC-IC), a purchasing partnership with 12 other Ohio four-year public universities.

During fiscal year 2020, the University maintained the lines of coverage below. All limits are dedicated to the University, unless explicitly noted as shared with other IUC-IC members. Real property and contents are 100 percent insured.

### Note 14 - Risk Management (Continued)

Lines of Coverage	Limit of Liability	Deductible
"All Risk" Property Coverage Including Boiler & Machinery	\$250,000 (Pool)	\$100,000
	\$100,000,000	\$350,000 (Pool)
	\$1,650,000,000 excess \$100,000,000 <sup>(1)</sup>	N/A
Automobile Physical Damage	Actual Cash Value	\$1,000
IUC-IC Casualty Pool	\$900,000	\$100,000
General Liability	\$10,000,000 <sup>(2)</sup>	N/A
Automobile Liability	\$10,000,000 <sup>(2)</sup>	N/A
Educators Legal Liability	\$10,000,000 <sup>(2)</sup>	N/A
1st Excess Liability	\$15,000,000 excess	N/A
	\$10,000,000 <sup>(1)</sup>	
1st Excess Educators Legal Liability	\$15,000,000 excess	N/A
	\$10,000,000 <sup>(1)</sup>	
2nd Excess Liability	\$25,000,000 excess	N/A
	\$25,000,000 <sup>(1)</sup>	
Crime	\$5,000,000	\$100,000
Medical Malpractice	\$1,000,000 occ./ \$3,000,000 agg.	\$25,000
Foreign	\$1,000,000	-
Special Accident	\$20,000,000	-
Pollution	\$5,000,000 <sup>(1)</sup>	\$25,000
Cyber Risk/Breach Response	\$1,000,000	\$25,000

Notes:

(1) Shared limits with other IUC-IC members

(2) Reinsurance provided by private carrier for \$9,000,000 excess of \$1,000,000

The University has an international travel comprehensive services assistance plan. The plan covers medical, security, and traveler assistance.

The University has a self-insured healthcare plan.

Changes in the self-insurance claims liability for the years ended June 30, 2020, 2019, and 2018 are summarized as follows:

	2020	2019	2018
Accrued claims liability - Beginning of year	\$ 284,468	\$ 356,740	\$ 412,909
Current year claims	3,482,867	3,480,085	4,204,941
Claims payments	(3,534,148)	(3,552,357)	(4,261,110)
Accrued claims liability - End of year	\$ 233,187	\$ 284,468	\$ 356,740

## Note 14 – Risk Management (Continued)

The liability amounts above are recorded in accrued wages and benefits on the statement of net position.

Workers' compensation benefits are provided through the Ohio Bureau of Workers' Compensation. Under Ohio's laws, there are no policy limits or cap on these benefits so long as treatment and compensation arise from the allowed conditions in a claim. There has been no significant change in coverage from last year.

## Note 15 - Component Unit Disclosure

### *Basis of Presentation*

The accompanying financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

### *Net Assets*

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Net assets without donor restrictions are resources available to support operations. Net assets with donor restrictions at June 30, 2020 and 2019 are restricted primarily for scholarships, university programs, and capital improvements.

### *Contribution Revenue*

Contributions, including unconditional promises to give, are recognized as revenue in the period the related commitments are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received beyond the fiscal year are discounted at an appropriate discount rate.

### *Investments*

Foundation investments are stated at fair value, with changes in fair value being recognized as gains and losses during the period in which they occur.

# Shawnee State University

## Notes to Financial Statements June 30, 2020 and 2019

### Note 15 - Component Unit Disclosure (Continued)

The fair value of investments at June 30, 2020 and 2019, by classification, is as follows:

	2020	2019
U.S. government securities	\$ 2,004,868	\$ 1,418,127
Foreign bond issues	184,708	319,341
Mutual funds:		
Equity	10,567,607	12,683,140
Fixed income	3,249,639	3,111,036
Corporate bond issues	1,516,612	1,163,767
Limited Partnership	48,577	48,564
<b>Total</b>	<b>\$ 17,572,011</b>	<b>\$ 18,743,975</b>

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2020

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
U.S. government securities	\$ 2,004,868	\$-	\$-	\$ 2,004,868
Mutual funds:				
Equity	10,567,607	-	-	10,567,607
Fixed income	3,249,639	-	-	3,249,639
Foreign bond issues	-	184,708	-	184,708
Corporate bond issues	-	1,516,612	-	1,516,612
Beneficial interest in trusts	-	-	773,006	773,006
Measured using NAV as a practical expedient:				
Limited partnership	-	-	-	48,577
<b>Total assets</b>	<b>\$ 15,822,114</b>	<b>\$ 1,701,320</b>	<b>\$ 773,006</b>	<b>\$ 18,345,017</b>

### Note 15 - Component Unit Disclosure (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
U.S. government securities	\$ 1,418,127	\$-	\$-	\$ 1,418,127
Mutual funds:				
Equity	12,683,140	-	-	12,683,140
Fixed income	3,111,036	-	-	3,111,036
Foreign bond issues	-	319,341	-	319,341
Corporate bond issues	-	1,163,767	-	1,163,767
Beneficial interest in trusts	-	-	796,980	796,980
Measured using NAV as a practical expedient:				
Limited partnership	-	-	-	48,564
Total assets	<u>\$ 17,212,303</u>	<u>\$ 1,483,108</u>	<u>\$ 796,980</u>	<u>\$ 19,540,955</u>

#### Fixed Assets

Property and equipment consist of the following:

	2020	2019
Land	\$ 2,011,200	\$ 2,011,200
Equipment and furniture	81,202	81,202
Buildings	8,942,735	8,942,735
Construction in progress	33,800	33,800
Total property and equipment	<u>11,068,937</u>	<u>11,068,937</u>
Accumulated depreciation	<u>1,340,809</u>	<u>1,106,571</u>
Net property and equipment	<u>\$ 9,728,128</u>	<u>\$ 9,962,366</u>

#### Debt

The Foundation entered into a \$4,500,000 note with an interest rate of 5.0 percent payable to Hatcher Real Estate, LLC for the purchase of the Fourth Street



## Note 15 - Component Unit Disclosure (Continued)

Properties. The note is secured by the land and buildings. This note is payable in monthly installments of \$29,698. The payments are based on a 20-year amortization schedule and include a balloon payment due at maturity on February 25, 2019 for the remaining balance. The Foundation exercised an option to extend the maturity date for a two-year period to February 25, 2021; however, payments will continue during that time. At June 30, 2020 and 2019, the outstanding principal balance of the note was \$3,523,501 and \$3,698,916, respectively. The Foundation and Hatcher Real Estate, LLC are in the process of renegotiating the terms of the repayment to include an extension of the due date of the balloon payment.

On August 17, 2017, the Foundation entered into a \$400,000 note with an interest rate of 5.0 percent payable to Burg DMI, LLC to purchase property at 221 Chillicothe Street. The note is secured by the land and building. This note requires monthly interest only payments for forty-eight months with the total principal due no later than August 17, 2020. At both June 30, 2020 and 2019 the outstanding principal balance on the note was \$250,000. The balance of this note was paid in full on September 2, 2020.

### *Related Party Transactions*

The Foundation made distributions to, or on behalf of, the University of \$1,774,446 during the year ended June 30, 2020 and \$1,642,865 during the year ended June 30, 2019. Administrative expenses of \$417,116 in fiscal year 2020 and \$390,000 in fiscal year 2019 were reimbursed to Shawnee State University for direct costs, including an allocation of salary and benefits, incurred in the management of the Foundation's and University's endowment funds. The Foundation has recorded a related payable for distribution to the University of \$350,899 as of June 30, 2020.

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was \$19,837 and \$22,006 as of June 30, 2020 and 2019, respectively, and is reflected as a lease receivable in the Foundation's statements of net assets.

The Foundation passed through federal grants to the University, the administrative agent for the grants, in the amount of \$358,719 and \$396,733 during the years ended June 30, 2020 and 2019, respectively. The Foundation has recorded a grant payable to the University at June 30, 2020 and 2019 in the amount of \$162,340 and \$196,914. The University has receivables from the Foundation for the same amounts.

## **Note 15 - Component Unit Disclosure (Continued)**

Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio 45662.

## Required Supplementary Information

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# Shawnee State University

## Schedule of University's Proportionate Share of the Net Pension Liability and Schedule of University Pension Contributions

### STRS Schedule of the University's Proportionate Share of the Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's proportion of the collective net pension liability:						
As a percentage	0.0916%	0.0999%	0.1057%	0.11182%	0.10962%	0.11347%
Amount	\$20,245,020	\$21,971,679	\$25,109,186	\$ 37,430,954	\$ 30,295,455	\$ 27,600,967
University's covered employee payroll	\$11,153,686	\$10,747,943	\$11,360,000	\$ 13,596,142	\$ 11,436,893	\$ 10,440,100
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	181.51%	204.43%	221.03%	275.31%	264.89%	264.37%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	77.30%	66.78%	72.10%	74.71%

### OPERS Schedule of the University's Proportionate Share of the Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's proportion of the collective net pension liability:						
As a percentage	0.0660%	0.0694%	0.07287%	0.07976%	0.08469%	0.08633%
Amount	\$12,986,955	\$18,960,124	\$ 11,380,348	\$ 18,089,973	\$ 14,649,733	\$ 10,394,787
University's covered employee payroll	\$9,748,350	\$10,567,457	\$ 10,333,800	\$ 9,138,607	\$ 10,894,207	\$ 10,899,653
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	133.22%	179.42%	110.13%	197.95%	134.47%	95.37%
Plan fiduciary net position as a percentage of the total pension liability	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

### STRS Schedule of University Pension Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$1,561,516	\$1,504,712	\$ 1,590,400	\$ 1,574,598	\$ 1,655,224	\$ 1,623,157
Contributions in relation to the actuarially determined contractually required contribution	\$1,561,516	\$1,504,712	\$ 1,590,400	\$ 1,574,598	\$ 1,655,224	\$ 1,623,157
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$11,153,686	\$10,747,943	\$ 11,360,000	\$ 11,247,129	\$ 11,823,029	\$ 11,593,979
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

### OPERS Schedule of University Pension Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$1,364,769	\$1,479,444	\$ 1,446,721	\$ 1,279,405	\$ 1,495,704	\$ 1,534,786
Contributions in relation to the actuarially determined contractually required contribution	\$1,364,769	\$1,479,444	\$ 1,446,721	\$ 1,279,405	\$ 1,495,704	\$ 1,534,786
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$9,748,350	\$10,567,457	\$ 10,333,800	\$ 9,138,607	\$ 10,683,600	\$ 10,962,757
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

### *Changes of benefit terms.*

STRS: There were no changes in benefit terms since the prior measurement date of June 30, 2018.

OPERS: There were no changes in benefit terms affecting the OPERS plans.

### *Changes of assumptions.*

STRS: There were no changes in assumptions since the prior measurement date of June 30, 2019. During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2019 OPERS made assumption changes to the cost-of-living adjustment. The cost-of-living adjustment states pre-1/7/2013 retirees receive 3% simple; post-1/7/2013 retirees 1.40% simple through 2020, then 2.15% simple. During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

# Shawnee State University

## Schedule of University's Proportionate Share of the Other Post-Employment Benefits (OPEB) Liability and Schedule of University OPEB Contributions

### STRS Schedule of the University's Proportionate Share of the Net OPEB

#### Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:			
As a percentage	0.0916%	0.0999%	0.10570%
Amount	-\$1,516,000	-\$1,606,000	\$ 4,124,011
University's covered payroll	\$11,153,686	\$10,747,943	\$ 11,360,000
University's proportionate share of the collective OPEB liability, as a percentage of the University's covered payroll	(13.59%)	(14.94%)	36.30%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	176.00%	47.11%

### OPERS Schedule of the University's Proportionate Share of the Net OPEB

#### Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:			
As a percentage	0.0633%	0.0669%	0.07287%
Amount	\$8,745,723	\$8,716,574	\$ 7,650,350
University's covered payroll	\$9,748,350	\$10,567,457	\$ 10,333,800
University's proportionate share of the collective OPEB liability, as a percentage of the University's covered payroll	89.71%	82.49%	74.03%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%

### STRS Schedule of University Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$11,153,686	\$10,747,943	\$ 11,360,000
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

### OPERS Schedule of University Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ 64,689
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ 64,689
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$9,748,350	\$10,567,457	\$ 10,333,800
Contributions as a percentage of covered payroll	0.00%	0.00%	0.63%

### *Changes of benefit terms.*

STRS: There were no significant changes in benefit terms affecting the STRS for the plan years ended June 30, 2019.

OPERS: There were no significant changes in benefit terms affecting the OPERS plans for the plan year ended December 31, 2019.

### *Changes of assumptions.*

STRS: There were no significant changes in assumptions during the plan year ended June 30, 2019. During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: There were some changes in assumptions affecting the OPERS plans for the plan years ended December 31, 2019. The health care cost trend rates decreased from 10.0 percent initial and 3.25 percent ultimate to 10.5 percent initial and 3.5 percent ultimate. The discount rate was reduced from 3.96 percent to 3.16 percent.

## Supplementary Information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Trustees  
Shawnee State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Shawnee State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 13, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

To Management and the Board of Trustees  
Shawnee State University

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 13, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Trustees  
Shawnee State University

**Report on Compliance for Each Major Federal Program**

We have audited Shawnee State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

To the Board of Trustees  
Shawnee State University

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a certain deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2020-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2020-002 to be a significant deficiency.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

January 22, 2021

# Shawnee State University

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal/Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenditures
U.S. Department of Education:				
Student financial assistance cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	\$ -	\$ 102,013
Federal College Work-Study	84.033	N/A	-	120,336
Federal Pell Grant Program	84.063	N/A	-	7,098,435
Federal Direct Loan Program	84.268	N/A	-	15,702,982
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N/A	-	110,516
Total student financial assistance cluster				23,134,282
TRIO cluster:				
Educational Opportunity Centers	84.066A	N/A	-	364,829
Upward Bound Math-Science	84.047M	N/A	-	420,337
Total TRIO cluster			-	785,166
Special education cluster (IDEA):				
Pass through the Ohio Department of Education - TVI collaborative	84.027	N/A	-	697,791
Pass through University of Cincinnati:				
Strategic partnering (SPICE)	84.027	012122-003	-	23,022
Extended school year (ESY2)	84.027	012122-003	-	35,614
Developing interveners	84.027	012124-002	-	35,000
Total special education cluster (IDEA)			-	791,427
Higher education institutional aid	84.031A	N/A	-	503,347
Education Stabilization Fund - COVID-19 - Higher Education				
Emergency Relief Fund:				
Student aid	84.425E	N/A	-	506,928
Institutional portion	84.425F	N/A	-	585,644
Total Education Stabilization Fund			-	1,092,572
Pass through the Ohio Department of Education:				
Twenty-first Century Community Learning Centers	84.287	016863	-	495,824
Supporting effective instruction state grants	84.367A	N/A	-	26,267
Total U.S. Department of Education				26,828,885
Department of Health and Human Services - Mental and behavioral health education and training grants	93.732	N/A	-	65,527
Appalachian Regional Commission - Appalachian area development	23.002	N/A	-	204,833
National Endowment for the Humanities - Grants to states	45.310	N/A	-	4,939
Corporation for National and Community Service - AmeriCorps	94.006	N/A	-	114,646
Department of Justice/Bureau of Justice Assistance - Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	15,453
Department of Agriculture - Pass through Ohio				
Department of Education - Child and Adult Care Food Program	10.558	16-CU, 21-CU, 21-FU	-	21,504
Total federal expenditures			\$ -	\$ 27,255,787

See notes to schedule of expenditures of federal awards.

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## Notes to Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2020

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shawnee State University (the "University") and its discretely presented component unit, Shawnee State University Development Foundation, under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The University has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

### Note 3 - Federal Work-Study and Federal SEOG Waiver

For the year ended June 30, 2020, the University received a waiver from the U.S. Department of Education for the institutional share requirement under the Federal Work-Study and Federal Supplemental Educational Opportunity Grant programs.

### Note 4 - Federal Direct Loan Program

The University participates in the William D. Ford Direct Loan Program. The University originates the loans, which are then funded through the U.S. Department of Education.

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?   X   Yes    \_\_\_\_\_ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes    \_\_\_\_\_ None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, 84.268, 84.379 84.027	Student Financial Assistance Cluster Special Education (IDEA) Cluster	Unmodified Unmodified
84.425E, 84.425F	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Audit Findings**

None

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings

Reference Number	Finding
2020-001	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA Nos. 84.007, 84.033, 84.063, 84.268, 84.379; Department of Education: Federal Supplemental Educational Opportunity Grants, Federal College Work-Study, Federal Pell Grant Program, Federal Direct Loan Program, and Teacher Education Assistance for College and Higher Education (TEACH)</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs.</p> <p>The policy provides that a student's academic progress is evaluated at the end of each payment period or at least annually to correspond with the end of a payment period (34 CFR 668.34(a) and (a)(1)(3)(i)).</p> <p><b>Condition</b> - Satisfactory academic progress status was not updated for students at the end of the spring 2020 academic term.</p> <p><b>Questioned Costs</b> - \$9,272</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Students who should have been in suspension status as of the end of the academic year received aid for the summer 2020 term during the year ended June 30, 2020.</p> <p><b>Context</b> - Of the 25 students tested for proper review of satisfactory academic progress, 1 student was identified as not having the correct satisfactory academic progress reported at the end of the spring 2020 term based on the University's satisfactory academic progress policy. The satisfactory academic progress was not updated in the system for all students based on a system issue. As a result, there was \$9,272 of aid improperly disbursed for the summer 2020 term for students who should have been in a suspension status and were not eligible for financial assistance.</p> <p><b>Cause and Effect</b> - Shawnee State University did not have proper controls in place to ensure that satisfactory academic progress status is updated for all students each term. As a result, satisfactory academic progress was not properly updated for the spring 2020 term.</p> <p><b>Recommendation</b> - Shawnee State University should implement controls and processes to ensure that satisfactory academic progress status is updated for all students each term.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - After the SAP process has been completed, the financial aid office will run a report to identify any students who should have had their status updated. The incorrect statuses will be updated.</p>



Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-002	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA Nos. 84.063, 84.268; Department of Education: Federal Pell Grant Program and Federal Direct Student Loans</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat Finding</b> - Yes</p> <p>2019-002</p> <p><b>Criteria</b> - Federal Pell Grant Program: An institution shall submit, in accordance with deadline dates established by the secretary, through publication in the Federal Register, other reports and information the secretary requires and shall comply with the procedures the secretary finds necessary to ensure that the reports are correct (34 CFR Section 690.83(b)(2)).</p> <p>Federal Direct Student Loans: Changes in student status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309(b)).</p> <p><b>Condition</b> - Shawnee State University did not report the proper student status changes for certain students who graduated.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Of the 25 students tested for student status changes, 2 students were not properly reported as graduated. These students had previously ceased enrollment at the University and were reported as a withdrawal to NSLDS, but subsequently petitioned and received approval to graduate.</p> <p><b>Cause and Effect</b> - Shawnee State University did not have proper controls in place to ensure that students who were no longer enrolled at the University and received approval to graduate were properly reported as graduated to NSLDS.</p> <p><b>Recommendation</b> - Shawnee State University should implement controls and processes to ensure that all students who receive approval to graduate are reported to NSLDS.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - The registrar's office will run a report at the end of each term to identify students who graduated without taking a course that semester. This will identify those students requiring review to ensure their status was reported correctly to the clearinghouse.</p>



**Shawnee State University**

**1/20/2021**

**Summary Schedule of Prior Audit Findings**

**Prior Year Finding Number:**

2019-001

**Fiscal Year in Which the Finding Initially Occurred:**

June 30, 2019

**Federal Program, CFDA Number and Name:**

N/A

**Original Finding Description:**

The University did not properly complete bank reconciliations throughout the year, and cash accounts were not reconciled to the general ledger on a monthly basis until March 2019.

**Status/Partial Corrective Action (as applicable):**

Fully corrected

**Planned Corrective Action:**

N/A

**Prior Year Finding Number:**

2019-002

**Fiscal Year in Which the Finding Initially Occurred:**

June 30, 2019

**Federal Program, CFDA Number and Name:**

CFDA Nos. 84.063, 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Student Loans

**Original Finding Description:**

Shawnee State University did not report the proper student status changes for certain students who graduated.

**Status/Partial Corrective Action (as applicable):**

Partially corrected

**Planned Corrective Action:**

The Registrar's Office will run a report at the end of each term to identify students who graduated without taking a course that semester. This will identify those students who need reviewed to ensure their status was reported to the Clearinghouse correctly.



**Shawnee State University**

**01/20/2021**

**Corrective Action Plan**

**Finding Number:** 2020-001

**Condition:** Satisfactory academic progress status was not updated for students at the end of the 2020 spring academic term.

**Planned Corrective Action:** After the SAP process has been completed, the Financial Aid Office will run a report to identify any students who should have had their status updated. The incorrect statuses will be updated.

**Contact person responsible for corrective action:** Nicole Neal, Financial Aid Director

**Anticipated Completion Date:** 02/01/2021

**Finding Number:** 2020-002

**Condition:** Shawnee State University did not report the proper student status changes for certain students who graduated.

**Planned Corrective Action:** The Registrar's Office will run a report at the end of each term to identify students who graduated without taking a course that semester. This will identify those students who need reviewed to ensure their status was reported to the Clearinghouse correctly.

**Contact person responsible for corrective action:** Tami Sheets, Registrar

**Anticipated Completion Date:** 02/01/2021

# OHIO AUDITOR OF STATE KEITH FABER



**SHAWNEE STATE UNIVERSITY**

**SCIOTO COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 2/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)