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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, 2021

AND JUNE 30, 2020

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, 2021 and 2020 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, 2021 and 2020 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.

To the Board of Trustees
Shawnee State University

Other Matter

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 audits 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 22, 2021 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.

Plante & Moran, PLLC

October 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, 2021. 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 2021 are as follows:

- Total net position increased \$13,113,353. The increase is primarily \$9,845,013 in nonoperating federal, state and local grant revenue and a \$564,470 increase in state appropriation revenue. The decrease in operating expenses mainly consisted of a \$2,479,887 decrease in institutional expense, a decrease of \$1,611,275 in operation and maintenance of plant expense and a \$1,511,026 increase in student services expenses.
- Total assets and Deferred Outflows of Resources increased \$2,255,527 mainly due to the increase of \$4,879,950 in accounts receivable and a decrease of \$1,867,314 in the deferred portion of the GASB Statement No. 68 pension and No. 75 OPEB expense adjustment.
- The \$12,751,847 decrease in total liabilities was primarily due to a \$8,745,723 decrease in net OPEB liability related to GASB Statement No. 75 and \$2,178,563 decrease in net pension related to GASB Statement No. 68.

Shawnee State University

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

- Total deferred inflows of resources increase of \$1,894,021 is primarily due to the \$359,328 decrease in deferred pension costs and the \$2,085,775 increase in other post-employment benefit costs related to GASB Statement No. 68 and Statement No. 75, respectively.
- Total revenue increased \$7,004,614 from 2020 to 2021 compared with an increase of \$4,138,898 from 2019 to 2020. The increase was primarily due to a \$9,433,976 increase in total grant revenue, an increase of \$564,470 from state appropriations, a decrease of \$2,090,574 in capital appropriation revenue and a decrease of \$1,063,343 in student tuition and fees revenue.
- Total expenses decreased \$7,095,640 in 2021 primarily due to a decrease of \$7,073,245 in operating expenses. The 2021 decrease in operating expenses consisted of a \$1,511,026 increase in student service expenses, a decrease of \$2,479,887 in institutional support expenses, a \$1,562,948 decrease in auxiliary enterprise expenses, and a \$1,611,275 decrease in operation and maintenance of plant expenditures.
- Operating revenue decreased by \$1,698,450 primarily due to a \$1,063,343 in student tuition and fee revenue and a \$411,037 decrease in operating grant revenue (revenue for projects which result in an "exchange" like a product, report or some form of an outcome).
- Nonoperating revenue increased \$10,793,638 as a result of a \$9,845,013 increase in nonoperating grant revenue (grants that are not exchange transactions, such as Federal Higher Education Emergency Relief Fund (HEERF) and Coronavirus Relief Fund (CRF) grant and scholarship grants like Pell, Supplemental Educational Opportunity Grant (SEOG), Ohio College Opportunity Grants (OCOG)) and a \$564,470 increase in state appropriations.

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

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 2021?" 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, 2021, 2020, and 2019 are presented below:

Shawnee State University

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

	2021	2020	2019
Assets			
Current assets	\$ 12,703,603	\$ 7,246,264	\$ 6,644,831
Capital assets - Net	82,497,076	85,161,019	82,339,293
Other noncurrent assets	<u>11,430,888</u>	<u>10,101,443</u>	<u>13,384,136</u>
Total assets	106,631,567	102,508,726	102,368,260
Deferred Outflows of Resources	5,292,893	7,160,207	11,888,528
Liabilities			
Current liabilities	6,815,953	7,426,205	7,561,123
Noncurrent liabilities	<u>50,219,533</u>	<u>62,361,128</u>	<u>69,237,964</u>
Total liabilities	57,035,486	69,787,333	76,799,087
Deferred Inflows of Resources	<u>13,470,141</u>	<u>11,576,120</u>	<u>8,165,320</u>
Net Position			
Net investment in capital assets	63,094,859	66,271,979	66,457,561
Restricted, expendable	248,621	249,246	249,245
Unrestricted	<u>(21,924,647)</u>	<u>(38,215,745)</u>	<u>(37,414,425)</u>
Total net position	<u>\$ 41,418,833</u>	<u>\$ 28,305,480</u>	<u>\$ 29,292,381</u>

Total assets of the University increased \$4,122,841 in 2021 and increased \$140,466 in 2020. Current assets increased \$5,457,339 in 2021 following a \$601,433 increase in 2020. An increase of \$4,879,950 in accounts receivables was the largest component of the 2021 increase in current assets. The increase was the result of a \$2,151,419 adjustment to 2021 HEERF expenditures that have not been reimbursed by June 30, 2021. The large increase in 2020 was a \$679,182 increase in accounts receivable. Noncurrent assets (excluding capital assets) increased \$1,329,445 in 2021 and decreased \$3,282,693 in 2020. The 2020 decrease was 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 2021 increase is due to GASB 75 adjustment to the net OPEB asset of \$1,124,280.

The decreased expenditures for capital construction projects initiated in 2021 were below the 2021 depreciation expense amount which resulted in a decrease of \$2,663,943 in net capital assets. The increased number of capital construction projects initiated in 2019 resulted in an increase of \$2,821,726 in net assets for 2020.

The \$12,751,847 decrease in 2021 total liabilities was primarily due to the \$8,745,723 decrease in net OPEB liability and a \$2,178,563 decrease to net

Shawnee State University

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

pension liability to recognize the reduction of the University's proportionate share of the net pension liability as determined by the two pension plans associated with the University and the reclassification of the net OPEB liability to a net OPEB asset, the State Teachers Retirement System and Ohio Public Employees Retirement System, as required by GASB Statement No. 68 and GASB Statement No. 75. See Note 13 to the financial statements for further details. The remainder of the 2021 decrease in total liabilities was attributable to a \$1,460,555 reduction in long term debt. The decrease in total liabilities in 2020 consisted primarily of a reduction of \$950,040 in long term debt.

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, 2021, 2020, and 2019 are as follows:

Shawnee State University

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

	2021	2020	2019
Operating revenue:			
Tuition, fees, and other student charges	\$ 18,019,100	\$ 19,082,443	\$ 18,728,350
Grants and contracts	4,037,961	4,448,998	3,263,392
Sales and services	1,076,413	1,654,788	2,038,280
Miscellaneous income	741,935	387,630	645,169
Nonoperating revenue:			
Other grants	22,614,684	12,769,671	10,694,220
Investment income	612,212	323,292	578,900
Gain on disposal of capital assets	95,235	-	-
State appropriations	17,604,579	17,040,109	15,713,910
Capital appropriations	<u>452,238</u>	<u>2,542,812</u>	<u>2,448,624</u>
 Total revenue	 65,254,357	 58,249,743	 54,110,845
 Operating expenses:			
Instruction and research	16,539,770	17,356,628	15,586,625
Public service	3,265,080	3,323,789	2,331,144
Academic support	1,368,340	2,633,021	2,813,696
Student services	6,467,306	4,956,280	4,775,638
Institutional support	8,509,996	10,989,883	11,594,379
Operation and maintenance of plant	2,413,010	4,024,285	4,525,012
Scholarships and fellowships	5,063,845	5,315,602	4,796,425
Depreciation	3,501,874	4,040,030	3,687,479
Auxiliary enterprises	4,427,643	5,990,591	6,034,425
Nonoperating expense:			
Interest on capital debt	584,140	606,535	409,363
Loss on disposal of capital assets	-	-	360
 Total expenses	 <u>52,141,004</u>	 <u>59,236,644</u>	 <u>56,554,546</u>
 (Decrease)increase in net position	 <u>\$ 13,113,353</u>	 <u>\$ (986,901)</u>	 <u>\$ (2,443,701)</u>

Shawnee State University

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

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 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 2020 incoming freshmen class tuition and fee rate was \$4,302. Based on state regulations or University policy, rates charged for continuing in-state and all out-of-state student tuition and fees increased 1.9 percent during 2021. There was no change to the tuition and fee rate charged to graduate students during 2021.

The University's 2021 revenue from student tuition and fees has decreased to \$18,019,100 from \$19,082,443 in 2020 following an increase from \$18,728,350 in 2019 due to corresponding enrollment level changes over these years. Tuition and fees represent 27.6 percent of the University's total revenue in 2021, 32.8 percent in 2020 and 34.6 percent in 2019. The University's 2021 operating grants and contracts revenue decreased 9.2 percent to \$4,037,961 from \$4,448,998 in 2020 following an increase of 26.7 percent from \$3,263,392 in 2019 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 decreased \$7,073,245 primarily as a result of the 2020 \$395,004 GASB 68 and 75 reduction of pension expense being \$8,059,801 less than the 2021 \$8,454,805 GASB 68 and 75 decrease of pension expense. In addition to this \$8,059,801 decrease of pension and OPEB related operating expense. Scholarship and fellowship expense decreased \$251,757 in 2021 following an increase in 2020 of \$519,177 due to corresponding changes in enrollment for those years. This decrease in 2021 operating expenses is partially a \$2,479,887 decrease in institutional support, a decrease of \$1,611,275 in operation and maintenance of plant expenses and a \$1,264,681 decrease in academic support.

State appropriations represent 26.9 percent of the University's total revenue in 2021, 29.3 percent in 2020, and 29.0 percent in 2019. 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 2021, investment income amounted to \$612,212 as compared to \$323,292 during 2020 and \$578,900 during 2019. This increase in investment income is the result of the impact of the general market increase for all investment segments for 2021.

Shawnee State University

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

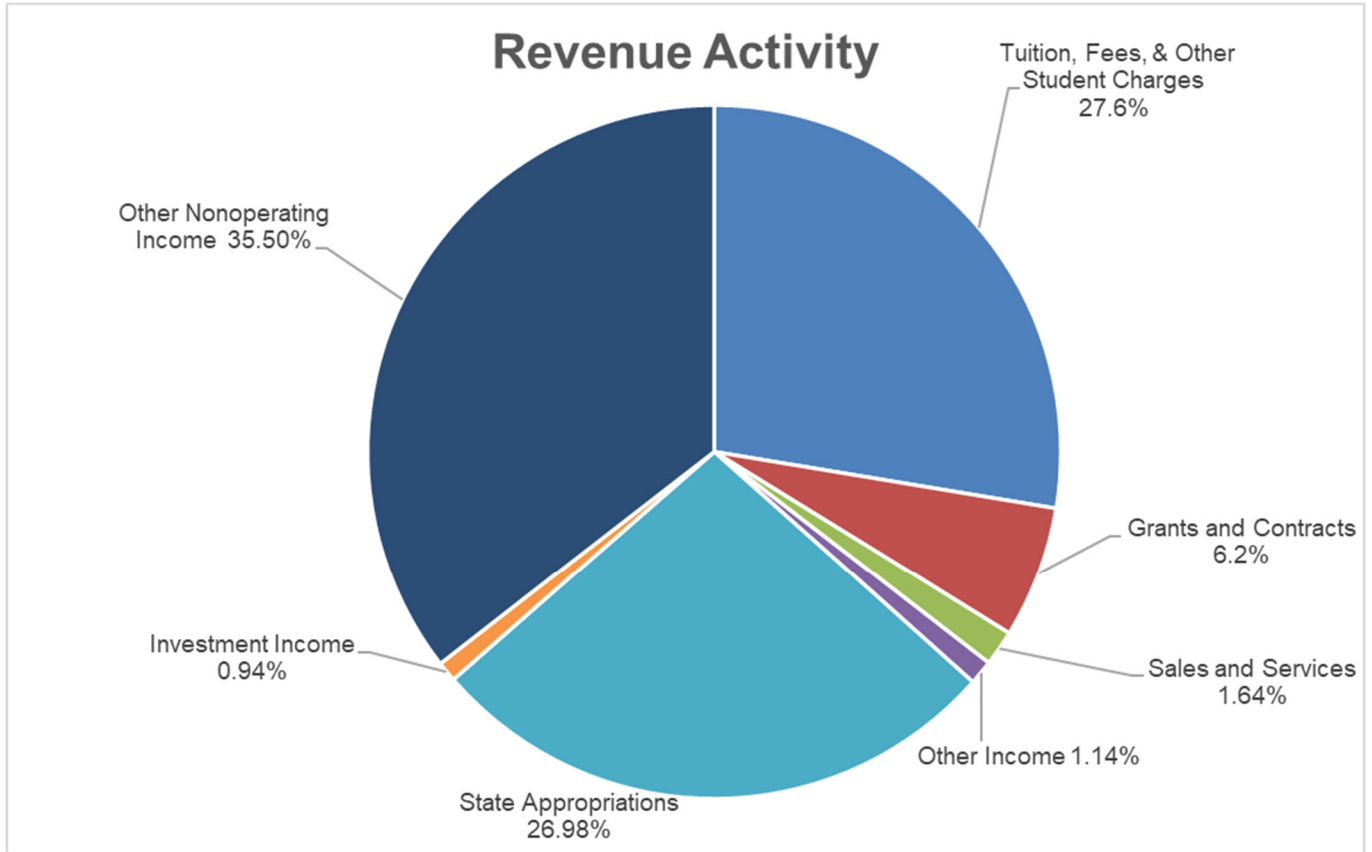
Pell Grants and certain other grants are considered nonexchange transactions and are reflected as nonoperating revenue. The federal grants portion of nonoperating other grants and contract revenue experienced a 110.2 percent increase from \$8,774,374 in 2020 to \$18,440,500 in 2021. The increase is primarily due to the receipt of HEERF and CRF programs awarded in 2021. In 2021 the University recorded \$2,986,068 in Higher Education Emergency Relief Fund Student-Student Aid funds, \$4,793,733 in Higher Education Emergency Relief Fund-Institutional Portion fund, \$407,185 in HEERF Strengthening Instructional Programs and \$2,716,439 in Coronavirus Relief Funds. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to \$6.5 million (excluding Covid-19 funding) in 2021 as compared with \$7.8 million in 2020 and \$7.3 million in 2019. Nonoperating grants revenue represents 34.7 percent of the University's total revenue in 2021, up from 21.9 percent in 2020, and 19.8 percent in 2019.

Capital appropriations decreased to \$452,238 from \$2,542,812 in 2020 as work on state capital projects finished in 2021. The increase to \$2,542,812 in 2020 from \$2,448,624 in 2019 reflects 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, 2021.

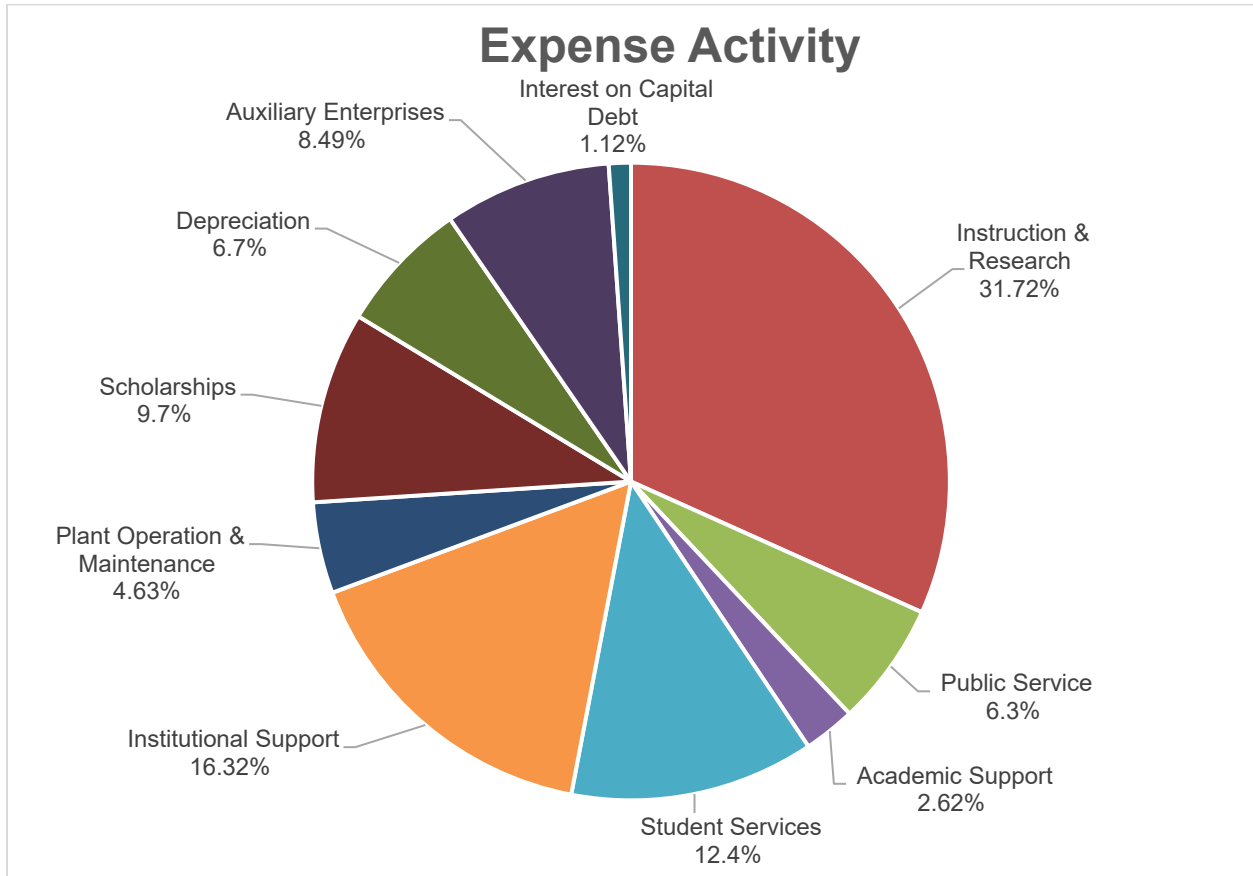
Shawnee State University

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, 2021. A comparison of cash sources and uses during fiscal years 2021, 2020, and 2019 is presented below:

	2021	2020	2019
Cash (Used in) Provided By			
Operating activities	\$ (33,804,438)	\$ (29,410,544)	\$ (28,731,745)
Noncapital financing activities	36,050,717	29,220,749	26,673,530
Capital and related financing activities	(2,008,883)	(4,846,725)	(3,756,139)
Investment activities	774,136	4,544,059	6,603,751
Net (decrease) increase in cash and cash equivalents	1,011,532	(492,461)	789,397
Cash and Cash Equivalents			
Beginning of the year	1,443,694	1,936,155	1,146,758
End of the year	<u>\$ 2,455,226</u>	<u>\$ 1,443,694</u>	<u>\$ 1,936,155</u>

Cash and cash equivalents increased by \$1,011,532 in 2021 as a result of increased cash inflows during the year attributable to funding received from COVID-19 grants as well as decreased use of funds due to the interruption of business operations from COVID-19 restrictions. The University also received \$1.0 million in funding from federal HEERF and CRF grant awards in 2021 to reimburse for COVID-19 expenditures incurred in 2020, which helped to increase the cash balance. 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 2021, the University held \$82,497,076 in net capital assets. This reflects a decrease of \$2,663,943 in net capital assets from 2020. The decrease was due to the increased number of construction projects initiated or completed during 2021.

Shawnee State University

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

Capital assets - Net of depreciation at June 30:

	2021	2020	2019
Land	\$ 8,003,370	\$ 8,003,370	\$ 8,003,370
Land improvements	6,928,631	6,928,631	6,928,631
Buildings and improvements	65,054,745	65,665,586	55,412,017
Equipment	1,775,017	1,873,225	1,803,784
Library books	111,282	151,461	189,862
Construction in progress	624,031	2,538,746	10,001,629
Totals	<u>\$ 82,497,076</u>	<u>\$ 85,161,019</u>	<u>\$ 82,339,293</u>

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.

Outstanding debt at year end:

	2021	2020	2019
Unamortized bond premium	\$ 515,555	\$ 550,595	\$ 583,540
General revenue bonds payable - 2% to 4%	<u>18,005,000</u>	<u>18,920,000</u>	<u>19,575,000</u>
Total long-term debt	<u>\$ 18,520,555</u>	<u>\$ 19,470,595</u>	<u>\$ 20,158,540</u>

Current Financial Issues and Concerns

Beginning in spring 2020 Shawnee State University's collective energies were driven by the uncertainties associated with the worldwide pandemic. During this period, and continuing through 2021, the university has taken innumerable steps to preserve and sustain its mission to serve the region's students. Being engaged in community-wide needs was also of paramount importance. In this regard, the university responded by

Shawnee State University

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

servicing as the lead in the formation of a community-wide health and safety partnership that included city and county health and government officials, hospital leaders, representatives from health-related agencies and from private companies. This relationship brought the campus and the community together through collaborative actions such as drive-through testing and vaccination clinics offered on campus and sharing of data that promoted more effective public communications.

Throughout the summer and fall of 2020, emphasis was on preparing and returning students and staff to campus. This involved replacing obsolete technology and laboratory equipment, deep cleaning and sanitizing facilities that had been closed, reconfiguring classroom and laboratory facilities to accommodate face-to-face instruction, and drafting and communicating safety and health protocols. Innovative approaches were required to meet the overarching goal of returning students, staff and faculty to a safe environment. Still, with the onslaught of variants at an extremely high level in the region, vaccination hesitancy within the local community and region, and unpredictable legislation regarding testing and vaccination protocols, challenges continue to meet the goal of returning to normalcy.

Enrollment, Tuition and Fees

The impact of the pandemic upon enrollment for fall 2020 was allayed somewhat because the pandemic arrived on campus during the spring semester. However, Shawnee's fall 2020 new student enrollment suffered (decline of 22%) compared to fall 2019. This was offset by the stable retention of continuing students for that same period (increase of .02%). The university did realize significant losses as the pandemic continued and the local and regional areas experienced progressively higher rates of Covid-19 cases. University events and activities were cancelled, campus buildings closed, staff were required to work remotely, and other major cost-constraint measures such as furloughs and reductions in force were implemented. The norm became refunding student housing fees, cancelling contracts, major events, and student and community activities – all components of a thriving campus.

The high incidence of Covid-19 variants in the University's servicing region has clearly impacted students' and parents' confidence about a safe return to campus life evidenced by the university's lower-than-projected fall 2021 undergraduate enrollment. While the continued presence of Covid-19 variants in the community and the impact on enrollment continues to be a major concern, there are indicators that are positive. These include substantially increased numbers of post-secondary student enrollments (college credit plus) which is a major pathway to registration for university degrees, regional high school demographics that predict higher-than-typical graduation rates, increased numbers of inquiries and applications for fall 2022, new in-demand academic programs, and expanded recruiting efforts able to take advantage of the recently-opened access to high schools and other admission-focused venues.

Shawnee State University

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

State Funding

Shawnee's state appropriations are comprised of two major components, State Share of Instruction (SSI) and a supplemental appropriation (the "Shawnee Supplement"). State funding represents 26.9 percent of total revenue in 2021, 29.3 percent in 2020, and 29.0 percent in 2019. The University relies on direct subsidy from the State of Ohio to meet its educational mission and in particular to serve under-advantaged students in the region.

Total state subsidy increased by 3.3% (\$564,470) from 2020 to 2021 and 8.4% from 2019 to 2020. The State of Ohio continues to support the university with substantial increases in the Shawnee Supplement in the latest biennial budget bill.

Higher Education Emergency Relief Funds

Shawnee State's positive fiscal year 2021 financial performance is due in large part to the Higher Education Emergency Relief Fund (HEERF) for student and institutional needs and the Coronavirus Relief Fund (CRF). HEERF funded student financial aid funds in the amount of approximately \$3.5 million that have been awarded since March 2020 enabled this cohort to continue making academic progress. The 2021 institutional HEERF awards were used to reimburse Covid-19 related expenditures incurred by the university and replaced a historic revenue loss experienced from the pandemic. These positive adjustments lessened the immediate dire consequences of the pandemic. Utilization of these funding sources through fiscal year 2022 will bridge the ongoing impact of the pandemic as we navigate through this longer-than-expected transitional period to reach full recovery.

Expenses

The reduction of expenditures realized in 2021 is largely due to two primary factors. First, the multiple levels of expense-containment strategies deployed by the university throughout the fiscal year. Second, the availability of HEERF and CRF awards that reimbursed the university for the extraordinary costs associated with Covid-19 mitigation efforts. The major cost-containment actions included an organization-wide furlough program that touched essentially every non-teaching employee across the organization, a reduction in force, a hiring freeze, aggressive negotiation and re-negotiation of service contracts, reductions of energy costs due to building closures, and close monitoring of other operating costs.

Despite having to invoke these actions, key services to students were maintained to the greatest extent possible. Thus far, the university has been able to successfully leverage external funding (i.e., HEERF, CRF) to offset the extraordinary costs of the pandemic. While we anticipate continued utilization of HEERF funds for eligible reimbursements and revenue loss in fiscal year 2022, we recognize that strategies for enrollment growth along with continued expense constraints are essential components to sustaining the institution's long-term fiscal health.

Shawnee State University

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

Strategic Planning

Despite the extended period of disruptions to normal university operations and the heavy allocation of time and energies to respond to long-term pandemic matters, university leadership engaged the campus in a comprehensive review and update of the 2021-2026 strategic plan, approved by the Board of Trustees in 2021. This major undertaking is noteworthy because of the disheartening period in which it was completed. But more, the broad engagement among campus and community members to generate goals, tasks, projects, strategies, enrollment projections, and accompanying metrics have proved instrumental in refocusing the campus to look forward - to the future. While remaining realistic to the existing environment, the campus community has a common vision and guide, critical for setting the stage to overcome extended periods of difficult challenges.

Shawnee State University

Statement of Net Position University

	June 30	
	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,455,226	\$ 1,443,694
Receivables:		
Accounts - Net of allowance for doubtful accounts of \$1,787,940 in 2021 and \$1,815,604 in 2020	9,800,765	4,920,815
Notes receivable	123,686	84,015
Interest receivable	10,314	13,756
Inventory	7,258	20,017
Prepaid items	306,354	763,967
	<u>12,703,603</u>	<u>7,246,264</u>
Noncurrent Assets		
Restricted investments	-	35,661
Investments	8,790,608	8,549,782
Net OPEB asset	2,640,280	1,516,000
Capital assets - Net	82,497,076	85,161,019
	<u>93,927,964</u>	<u>95,262,462</u>
Total current assets	12,703,603	7,246,264
Total noncurrent assets	93,927,964	95,262,462
Total assets	106,631,567	102,508,726
Deferred Outflows of Resources		
Pension costs	4,603,228	5,606,617
OPEB costs	689,665	1,553,590
Total deferred outflows of resources	<u>5,292,893</u>	<u>7,160,207</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 111,924,460</u>	<u>\$ 109,668,933</u>

Shawnee State University

Statement of Net Position (Continued) University

	June 30	
	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 1,394,958	\$ 1,312,768
Accrued wages and benefits	2,406,329	3,106,668
Compensated absences payable	180,909	206,986
Long-term debt	982,616	950,040
Accrued interest payable	51,856	54,144
Unearned revenue	1,709,247	1,668,027
Deposits held by and due to others	<u>90,038</u>	<u>127,572</u>
Total current liabilities	6,815,953	7,426,205
Noncurrent Liabilities		
Compensated absences payable	1,628,183	1,862,875
Net pension liability	31,053,412	33,231,975
Net OPEB liability	-	8,745,723
Long-term debt	<u>17,537,938</u>	<u>18,520,555</u>
Total noncurrent liabilities	<u>50,219,533</u>	<u>62,361,128</u>
Total liabilities	57,035,486	69,787,333
Deferred Inflows of Resources		
Service concession agreements	487,607	288,000
Pension costs	6,780,742	7,140,070
OPEB costs	5,785,358	3,699,583
Bond refunding	<u>416,434</u>	<u>448,467</u>
Total deferred inflows of resources	13,470,141	11,576,120
Net Position		
Net investment in capital assets	63,094,859	66,271,979
Restricted:		
Expendable		
Loans	212,907	212,907
Other	35,714	36,339
Unrestricted	<u>(21,924,647)</u>	<u>(38,215,745)</u>
Total net position	<u>41,418,833</u>	<u>28,305,480</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 111,924,460</u>	<u>\$ 109,668,933</u>

Shawnee State University

Statement of Net Assets Development Foundation

	June 30	
	2021	2020
Assets		
Cash and cash equivalents	\$ 1,815,421	\$ 1,911,896
Investments	21,468,253	17,572,011
Contributions receivable - Net	239,428	289,280
Lease receivable from related party	17,668	19,837
Grant receivable	177,236	162,340
Other receivable	29,546	-
Beneficial interest in trusts held by others	953,289	773,006
Cash surrender value of life insurance	277,461	265,383
Other assets	68,718	70,654
Net property and equipment	9,762,212	9,728,128
	<u>34,809,232</u>	<u>30,792,535</u>
Total assets	\$ 34,809,232	\$ 30,792,535
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 5,037	\$ 360,197
Accrued real estate tax	6,622	15,938
Grant payable	177,236	162,340
Other payable	500	10,000
Deposits held and due to others	3,633	4,975
Annuity payment liability	403,918	416,621
Note payable	3,339,113	3,773,502
	<u>3,936,059</u>	<u>4,743,573</u>
Total liabilities	3,936,059	4,743,573
Net Assets		
Without donor restrictions	8,394,783	7,799,397
With donor restrictions	22,478,390	18,249,565
	<u>30,873,173</u>	<u>26,048,962</u>
Total net assets	30,873,173	26,048,962
Total liabilities and net assets	\$ 34,809,232	\$ 30,792,535

Shawnee State University

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

	Year Ended June 30	
	2021	2020
Operating Revenue		
Student tuition and fees (net of scholarship allowances of \$11,157,356 in 2021 and \$11,672,038 in 2020)	\$ 18,019,100	\$ 19,082,443
Federal grants and contracts	2,819,382	2,640,149
State grants and contracts	614,697	1,147,120
Local grants and contracts	492,826	358,719
Private gifts, grants, and contracts	111,056	303,010
Sales and services	1,076,413	1,654,788
Miscellaneous	741,935	387,630
Total operating revenue	23,875,409	25,573,859
Operating Expenses		
Education and general:		
Instruction and departmental research	16,539,770	17,356,628
Public service	3,265,080	3,323,789
Academic support	1,368,340	2,633,021
Student services	6,467,306	4,956,280
Institutional support	8,509,996	10,989,883
Operation and maintenance of plant	2,413,010	4,024,285
Scholarships and fellowships	5,063,845	5,315,602
Depreciation expense	3,501,874	4,040,030
Auxiliary enterprises	4,427,643	5,990,591
Total operating expenses	51,556,864	58,630,109
Operating Loss	(27,681,455)	(33,056,250)
Nonoperating Revenue (Expenses)		
State appropriations	17,604,579	17,040,109
Federal, state, and local grants and contracts	21,405,896	11,546,961
Private grants and contracts	1,208,788	1,222,710
Investment income	612,212	323,292
Gain (Loss) on disposal of capital assets	95,235	-
Interest on capital asset-related debt	(584,140)	(606,535)
Net nonoperating revenue	40,342,570	29,526,537
Change in Net Position Before Capital Appropriations	12,661,115	(3,529,713)
Other Revenue - Capital appropriations	452,238	2,542,812
(Decrease) Increase in Net Position	13,113,353	(986,901)
Net Position - Beginning of year	28,305,480	29,292,381
Net Position - End of year	\$ 41,418,833	\$ 28,305,480

Shawnee State University

Statement of Activities Development Foundation Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 117,031	\$ 606,320	\$ 723,351
Investment income - Net	511,067	4,166,493	4,677,560
Change in value of split-interest agreements	-	192,986	192,986
Federal grant revenue	-	598,808	598,808
Other income	1,075	31,024	32,099
Rental income	359,090	-	359,090
Net assets released from restrictions	1,366,806	(1,366,806)	-
Total revenue and other support	2,355,069	4,228,825	6,583,894
Expenses			
Program services:			
Scholarships and other student aid	492,916	-	492,916
Institutional support	545,383	-	545,383
Total program services	1,038,299	-	1,038,299
Management and general expenses	156,222	-	156,222
Rental activities	469,563	-	469,563
Fundraising	95,599	-	95,599
Total expenses	1,759,683	-	1,759,683
Change in Net Assets	595,386	4,228,825	4,824,211
Net Assets - Beginning of year	7,799,397	18,249,565	26,048,962
Net Assets - End of year	\$ 8,394,783	\$ 22,478,390	\$ 30,873,173

Shawnee State University

Statement of Activities (Continued) Development Foundation Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
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
Expenses			
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>
 Change in Net Assets	 (252,913)	 (529,193)	 (782,106)
 Net Assets - Beginning of year	 <u>8,052,310</u>	 <u>18,778,758</u>	 <u>26,831,068</u>
 Net Assets - End of year	 <u>\$ 7,799,397</u>	 <u>\$ 18,249,565</u>	 <u>\$ 26,048,962</u>

Shawnee State University

Statement of Cash Flows University

	Year Ended June 30	
	2021	2020
Cash Flows from Operating Activities		
Cash received from tuition, fees, and other student charges	\$ 18,321,007	\$ 18,767,874
Cash received from federal direct student loan receipts	13,299,030	16,147,806
Cash received from gifts, grants, and contracts	2,798,155	4,133,324
Cash received from sales and services	1,089,618	1,547,486
Cash received from miscellaneous services	741,935	387,630
Cash payments to suppliers for goods and services	(17,260,982)	(15,402,070)
Cash payments to employees for services	(23,536,445)	(24,860,683)
Cash payments for employee benefits	(10,595,922)	(9,113,327)
Cash payments for scholarships and fellowships	(5,063,845)	(5,315,602)
Cash payments for federal direct student loan disbursements	(13,596,989)	(15,702,982)
Net cash used in operating activities	(33,804,438)	(29,410,544)
Cash Flows from Noncapital Financing Activities		
State appropriations	17,604,579	17,040,109
Nonexchange gifts, grants, and contracts	18,483,672	12,187,137
Net deposits held by and due to others transactions	(37,534)	(6,497)
Net cash provided by noncapital financing activities	36,050,717	29,220,749
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	444,440	2,560,280
Payments for capital acquisitions	(890,885)	(6,078,854)
Principal payments	(915,000)	(655,000)
Interest payments	(647,438)	(673,151)
Net cash used in capital and related financing activities	(2,008,883)	(4,846,725)
Cash Flows from Investing Activities		
Interest on investments	615,654	332,797
Proceeds for sales and maturities of investments	7,743,321	12,107,401
Proceeds for sales of restricted investments	35,507	3,558,902
Purchases of securities	(7,620,346)	(11,455,041)
Net cash provided by investing activities	774,136	4,544,059
Net Change in Cash and Cash Equivalents	1,011,532	(492,461)
Cash and Cash Equivalents - Beginning of year	1,443,694	1,936,155
Cash and Cash Equivalents - End of year	\$ 2,455,226	\$ 1,443,694

Shawnee State University

Statement of Cash Flows (Continued) University

	Year Ended June 30	
	2021	2020
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (27,681,455)	\$ (33,056,250)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,501,874	4,040,030
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which provided (used) cash:		
Accounts receivable	(410,497)	(465,454)
Direct loans receivable	(297,959)	444,824
Notes receivable	(39,671)	(4,023)
Prepaid items	453,837	(457,728)
Inventory	12,759	4,247
Accounts payable	547,112	273,468
Accrued wages and benefits	(700,339)	(469,795)
Compensated absences payable	(260,769)	153,203
Unearned revenue	(474,525)	(268,070)
Net OPEB asset	(1,124,280)	(1,516,000)
Net pension liability	(2,178,563)	(7,699,828)
Net OPEB liability	(8,745,723)	1,635,149
Deferred outflows of resources - Net pension expense	1,003,389	5,410,772
Deferred outflows of resources - Net OPEB pension expense	863,925	(682,451)
Deferred inflows of resources - Net pension expense	(359,328)	2,503,361
Deferred inflows of resources - Net OPEB expense	2,085,775	744,001
Net cash used in operating activities	<u>\$ (33,804,438)</u>	<u>\$ (29,410,544)</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 and cash in bank 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, 2021 and 2020, 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.

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. 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 \$487,607 and \$288,000 at June 30, 2021 and 2020, 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.

Adoption of New Accounting Pronouncements - As of June 30, 2021, the GASB issued the following statements 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 University's federal direct loan program was determined to meet the definition of a fiduciary activity. However, as the assets are generally held for three months or less, they are reported as business-type activities with inflows and outflows reported within operating activities on the statement of cash flows.

Upcoming Accounting Pronouncements - As of June 30, 2021, the GASB has issued the following statements not yet implemented by the University:

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 University is currently evaluating the impact this standard will have on the financial statements when adopted. 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*.
- **Public-Private and Public-Public Partnerships and Availability Payment Arrangements** – In March 2020, the Governmental Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnership Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred

Note 2 - Summary of Significant Accounting Policies (Continued)

outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023. The standard is not expected to have a significant effect on the University's financial statements.

- **Subscription-Based Information Technology Arrangements** – In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

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 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 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 and June 30, 2021. 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 Higher Education Emergency Relief Fund (HEERF) and the Coronavirus Relief Fund (CRF). The University has been awarded a total of approximately \$22.3 million since March 2020. As of June 30, 2021, the University has disbursed approximately \$3.5 million directly to students to provide emergency

Note 2 - Summary of Significant Accounting Policies (Continued)

financial aid grants. Since the initial awards were received in 2020, approximately \$6.6 million of the University's institutional portion was used to cover any eligible costs associated with significant changes to delivery of instruction due to COVID-19; such as, personal protection equipment, student debt forgiveness of \$895,687, and lost revenue of \$3,467,403. 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 of the impact on the University's community, all of which are uncertain and cannot be predicted.

Subsequent Events – In August 2021, the University received additional funding of \$420,557 HEERF- Strengthening Institutions Program (CFDA #84.425M) from the Department of Education.

Note 3 - Deposits and Investments

Deposits - At June 30, 2021, the carrying amount of the University's deposits (which consist of cash, excluding cash on hand of \$2,131, deposits held by trustee, and investments) was \$2,453,095 and the bank balance was \$2,898,657. 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 Deposit Insurance Corporation. 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.

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, 2021, the University had the following investments and maturities using the segmented time distribution method:

Shawnee State University

Notes to Financial Statements June 30, 2021 and 2020

Note 3 - Deposits and Investments (Continued)

Investment Type	Value	Investment Maturities (in years)		
		<1	1-5	More than 5
U.S. govt. and agency bonds	\$ 1,603,634	\$ -	\$ 1,081,375	\$ 522,259
Corporate bonds and notes	1,710,964	-	925,674	785,291
Fixed-income mutual funds	1,700,473	1,700,473	-	-
Money market funds	564,627	564,470	-	-
STAR Ohio funds	195,294	195,294	-	-
Total	5,774,992	<u>\$ 2,460,237</u>	<u>\$ 2,007,049</u>	<u>\$ 1,307,550</u>
Equities and equity funds	<u>3,015,616</u>			
Total	<u>\$ 8,790,608</u>			

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	<u>\$ 4,219,992</u>	<u>\$ 1,309,370</u>	<u>\$ 2,021,751</u>
Equities and equity funds	<u>1,034,330</u>			
Total	<u>\$ 8,585,443</u>			

Shawnee State University

Notes to Financial Statements June 30, 2021 and 2020

Note 3 - Deposits and Investments (Continued)

Restricted investments at June 30, 2021 and 2020 are shown in the statement of net position as noncurrent assets in the amount of \$0 and \$35,661, respectively. Investments at June 30, 2021 and 2020 are shown in the statement of net position as noncurrent assets in the amount of \$8,790,608 and \$8,549,782, 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, 2021, and 2020, the University had the following investments and quality ratings:

Investment Type	Rating	2021 Fair Value	2020 Fair Value
U.S. govt. and agency bonds	AAA	\$ 274,708	\$ -
	AA+	1,328,927	1,736,746
Corporate bonds and notes	AA	219,814	334,587
	A	691,124	680,665
	BBB	800,025	579,123
Fixed-income mutual funds	AAA	1,700,473	1,735,135
Money market funds	AA+	564,627	2,289,874
STAR Ohio funds	AAA	195,294	194,983
		\$ 5,774,992	\$ 7,551,113

Note 3 - Deposits and Investments (Continued)

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.

The University has the following assets with recurring fair value measurements as of June 30, 2021 and 2020:

	Balance at June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Money market:				
Money market	\$ 564,627	\$ 564,627	\$ -	\$ -
Total money market	<u>564,627</u>	<u>564,627</u>	-	-
Debt securities:				
U.S. govt. and agency bonds	1,603,634	1,603,634	-	-
Corporate bonds and notes	1,710,964	-	1,710,964	-
Total debt securities	<u>3,314,598</u>	<u>1,603,634</u>	<u>1,710,964</u>	-
Mutual funds:				
Fixed-income mutual funds	1,700,473	1,700,473	-	-
Equity mutual funds	3,015,616	3,015,616	-	-
Total mutual funds	<u>4,716,089</u>	<u>4,716,089</u>	-	-
Total investments by fair value level	<u>\$ 8,595,314</u>	<u>\$ 6,884,350</u>	<u>\$ 1,710,964</u>	<u>\$ -</u>

Note 4 - Fair Value Measurements (Continued)

	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)
Investments by Fair Value Level				
Money market:				
Money market	\$ 2,289,874	\$ 2,289,874	\$ -	\$ -
Total money market	2,289,874	2,289,874	-	-
Debt securities:				
U.S. gov. 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	-	-
Total mutual funds	2,769,465	2,769,465	-	-
 Total investments by fair value level	 \$ 8,390,460	 \$ 6,796,085	 \$ 1,594,375	 \$ -

Short-term investment and investments on the statement of net position at June 30, 2021 and 2020 include investments in STAR Ohio of \$195,294 and \$194,983, 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, 2021 and 2020 is summarized as follows:

	2021	2020
Student tuition and fees	\$ 3,856,418	\$ 4,112,361
Grants and contracts	7,706,542	2,606,111
Other	25,745	17,947
	<hr/>	<hr/>
Total accounts receivable	11,588,705	6,736,419
Less allowance for doubtful accounts	<hr/> (1,787,940)	<hr/> (1,815,604)
Accounts receivable - Net	<hr/> <hr/> \$ 9,800,765	<hr/> <hr/> \$ 4,920,815

Shawnee State University

Notes to Financial Statements June 30, 2021 and 2020

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Reclass and Additions	Reductions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 8,003,370	\$ -	\$ -	\$ 8,003,370
Land improvements	6,928,631	-	-	6,928,631
Construction in progress	<u>2,538,746</u>	<u>347,282</u>	<u>(2,261,997)</u>	<u>624,031</u>
Total capital assets not being depreciated	17,470,747	347,282	(2,261,997)	15,556,032
Capital assets being depreciated:				
Buildings and improvements	121,428,667	2,566,562	(408,796)	123,586,432
Equipment	15,946,931	429,271	-	16,376,202
Library books	<u>3,989,196</u>	<u>1,579</u>	<u>(5,169)</u>	<u>3,985,606</u>
Total capital assets being depreciated	141,364,794	2,997,412	(413,965)	143,948,240
Less accumulated depreciation:				
Buildings and improvements	(55,763,081)	(2,932,637)	164,031	(58,531,687)
Equipment	(14,073,706)	(527,479)	-	(14,601,185)
Library books	<u>(3,837,735)</u>	<u>(41,758)</u>	<u>5,169</u>	<u>(3,874,324)</u>
Total accumulated depreciation	<u>(73,674,522)</u>	<u>(3,501,874)</u>	<u>169,200</u>	<u>(77,007,196)</u>
Total capital assets being depreciated - Net	<u>67,690,272</u>	<u>(504,462)</u>	<u>(244,765)</u>	<u>66,941,044</u>
Capital assets - Net	<u>\$ 85,161,019</u>	<u>\$ (157,180)</u>	<u>\$ (2,506,762)</u>	<u>\$ 82,497,076</u>

As of June 30, 2021, the total of outstanding commitments for Capital Projects funded by the State of Ohio was \$90,785.

On March 25, 2021, the University sold the President's House located at 3060 Camelot Drive, Portsmouth, Ohio 45662 for \$340,000.

Note 6 - Capital Assets (Continued)

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>

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 2021 were as follows:

	Principal Outstanding July 1, 2020	Additions	Deductions	Principal Outstanding June 30, 2021	Current Portion
General Receipt Bonds, Series 2016	\$ 18,920,000	\$ -	\$ 915,000	\$ 18,005,000	\$ 945,000
Unamortized bond premium	550,595	-	35,040	515,555	37,616
Sub total long-term debt	19,470,595	-	950,040	18,520,555	982,616
Compensated absences	2,069,861	52,946	313,715	1,809,092	180,909
Total long-term liabilities	\$ 21,540,456	\$ 52,946	\$ 1,263,755	\$ 20,329,647	\$ 1,163,525

Note 8 - Long-term Obligations (Continued)

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	\$ 22,075,198	\$ 330,608	\$ 865,350	\$ 21,540,456	\$ 1,157,026

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.

The interest expense for fiscal years 2021 and 2020 was \$584,140 and \$606,535, respectively.

Shawnee State University

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 are as follows:

Years Ending June 30	Principal	Interest	Total
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	1,045,000	521,875	1,566,875
2027-2031	5,905,000	1,915,025	7,820,025
2032-2036	4,895,000	793,575	5,688,575
2037-2041	2,225,000	238,875	2,463,875
Total	<u>\$ 18,005,000</u>	<u>\$ 5,795,200</u>	<u>\$ 23,800,200</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 2021 and 2020 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, 2021.

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 10 – Contingencies (Continued)

The U.S. Department of Commerce awarded an Economic Development Administration (EDA) Grant in the amount of \$2,793,393 to Shawnee State University and the Shawnee State University Development Foundation. The funding will be utilized for the renovations of the Shawnee State University Kricker Innovation Hub. The University is the lead recipient on the project and will facilitate the administration of the award. The construction must be completed by December 28, 2022. The Foundation holds title to the property on which the renovations will occur.

As a stipulation of the award, the EDA requires the Foundation to hold title to the building and to utilize the building for the authorized purpose of the project for 20 years from the date construction is completed. As such, the EDA has a first priority unsubordinated mortgage lien on the building in favor of the EDA. If the property is no longer used for the authorized purpose of the project, disposed of, or encumbered without EDA approval within that timeframe, the EDA may assert its interest in the property to recover the federal share of the value of the property, which was determined to be the percentage of the current fair market value of the property attributed to the EDA participation in the project.

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.

Note 11 - State Support (Continued)

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), 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 two 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.

Note 13 – Retirement Plans (Continued)

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

Ohio Public Employees Retirement System
277 E. Town Street
Columbus, Ohio 43215
(800) 222-7377
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 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’ 2021 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%

The plans’ 2020 employer and member contribution rates on covered payroll to each system are:

Note 13 – Retirement Plans (Continued)

	Employer Contribution Rate			Member Contribution
	Postretirement		Total	Total
	Pension	Healthcare		
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%

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

	For the years ended 6/30			
	2021		2020	
	Pension	OPEB	Pension	OPEB
STRS	\$ 1,534,798	\$ -	\$ 1,561,516	\$ -
OPERS	1,230,886	-	1,364,769	-
	<u>\$ 2,765,684</u>	<u>\$ -</u>	<u>\$ 2,926,285</u>	<u>\$ -</u>

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.

Effective August 1, 2017-July 1, 2019, any member may retire who has (1) five years of service credit and attained age 60; (2) 27 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019-July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and 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.

Note 13 – Retirement Plans (Continued)

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, 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

Note 13 – Retirement Plans (Continued)

adjustment, if applicable, is 3.0 percent, 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, 2021 and 2020, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2021, the net pension liability was measured as of June 30, 2020 for STRS, and December 31, 2020 for the OPERS plan. 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. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change 2021	Percent Change 2020
		2021	2020	2021	2020		
STRS	June 30	\$ 22,335,934	\$ 20,245,020	0.09231%	0.09155%	0.83%	-8.39%
OPERS	December 31	8,717,478	12,986,955	0.05946%	0.06603%	-9.94%	-4.83%
Total		<u>\$ 31,053,412</u>	<u>\$ 33,231,975</u>				

For the years ended June 30, 2021 and 2020, the University recognized pension (recovery)/expense of \$(1,534,502) and \$214,305 respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 13 – Retirement Plans (Continued)

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,123	\$ 526,733	\$ 167,898	\$ 267,292
Changes of assumptions	1,204,299	-	3,081,792	-
Net difference between projected and actual earnings on pension plan investments	1,086,199	3,444,552	-	3,601,091
Changes in proportion and differences between University contributions and proportionate share of contributions	136,336	2,809,457	135,799	3,271,687
University contributions subsequent to the measurement date	2,123,271	-	2,221,128	-
Total	<u>\$ 4,603,228</u>	<u>\$ 6,780,742</u>	<u>\$ 5,606,617</u>	<u>\$ 7,140,070</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	Amount
June 30	
2022	\$ (2,338,320)
2023	(942,579)
2024	(1,077,330)
2025	55,478
2026	584
Thereafter	1,382
	<u>\$ (4,300,785)</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.

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense – At June 30, 2021 and 2020, the University reported a liability for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2021, the net OPEB liability/(asset) was measured as of June 30, 2020 for STRS, and December 31,

Note 13 – Retirement Plans (Continued)

2020 for the OPERS plan. 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. 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, 2019 and 2018, 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, 2020 and 2019, 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, 2020 and 2019, 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 Change 2021	Percent Change 2020
		2021	2020	2021	2020		
STRS	June 30	\$ (1,622,000)	\$ (1,516,000)	0.09231%	0.09155%	0.83%	-8.39%
OPERS	December 31	(1,018,280)	8,745,723	0.05716%	0.06332%	-9.73%	-5.29%
Total		\$ (2,640,280)	\$ 7,229,723				

For the years ended June 30, 2021 and 2020, the University recognized OPEB (recovery)/expense of \$(6,920,203) and \$180,699, respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 13 – Retirement Plans (Continued)

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,000	\$ 1,241,992	\$ 137,235	\$ 876,837
Changes of assumptions	527,598	3,190,918	1,416,355	1,662,000
Net difference between projected and actual earnings on OPEB investments	57,000	542,350	-	540,330
Changes in proportion and differences between University contributions and proportionate share of contributions	1,067	810,098	-	620,416
University contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 689,665</u>	<u>\$ 5,785,358</u>	<u>\$ 1,553,590</u>	<u>\$ 3,699,583</u>

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	Amount
June 30	
2022	\$ (2,254,951)
2023	(1,572,139)
2024	(644,586)
2025	(464,464)
2026	(81,866)
Thereafter	(77,688)
	<u>\$ (5,095,694)</u>

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, 2020	December 31, 2020
Valuation date - OPEB	June 30, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	0.50% to 3.0%
Salary increases, including inflation	2.5% - 12.5%	3.25% -10.75%
Inflation	2.50%	3.25%
Investment rate of return - Pension	7.45%, net of investment expense, including inflation	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	-6.7% to 11.9% initial, 4% ultimate	8.5% initial, 3.5% ultimate in 2035
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:

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% -10.75%
Inflation	2.50%	3.25%
Investment rate of return - Pension	7.45%, net of investment expense, including inflation	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

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, 2020 and 2019. 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, 2020 and 2019.

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, 2020 and 2019. At June 30, 2020 and 2019, 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 6.0 percent and 3.16 percent for the plan years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

At December 31, 2019, 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 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.

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 7/1/20			OPERS - as of 12/31/20				
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%	1.32%	34.00%	1.07%
International equity	23.00%	7.55%	Domestic equities	21.00%	5.64%	25.00%	5.64%
Alternatives	17.00%	7.09%	Real estate	10.00%	5.39%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	12.00%	10.42%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	23.00%	7.36%	25.00%	7.36%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	7.00%	6.48%
			Other Investments	9.00%	4.75%	9.00%	4.02%
Total	100.00%		Total	100.00%		100.00%	

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%	

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		2021 Current Discount Rate		1.00 Percent Increase	
	STRS	6.45%	\$ 31,802,481	7.45%	\$ 22,335,934	8.45%
OPERS	6.20%	<u>16,733,342</u>	7.20%	<u>8,717,478</u>	8.20%	<u>2,054,485</u>
		<u>\$ 48,535,823</u>		<u>\$ 31,053,412</u>		<u>\$ 16,368,308</u>

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%	<u>21,485,950</u>	7.20%	<u>12,986,955</u>	8.20%	<u>5,351,104</u>
		<u>\$ 51,071,792</u>		<u>\$ 33,231,975</u>		<u>\$ 17,688,640</u>

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate- The following presents the net OPEB liability/(asset) of the University, calculated using the discount rate listed below, as well as what the University’s net OPEB liability/(asset) 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		2021 Current Discount Rate		1.00 Percent Increase	
	STRS	6.45%	\$ (1,411,560)	7.45%	\$ (1,622,000)	8.45%
OPERS	5.00%	<u>(253,201)</u>	6.00%	<u>(1,018,280)</u>	7.00%	<u>(1,647,236)</u>
		<u>\$ (1,664,761)</u>		<u>\$ (2,640,280)</u>		<u>\$ (3,448,455)</u>

Note 13 – Retirement Plans (Continued)

Changes in the Discount Rate

Plan	2020					
	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$ (1,293,804)	7.45%	\$ (1,516,000)	8.45%	\$ (1,703,246)
OPERS	2.16%	11,445,181	3.16%	8,745,723	4.16%	6,584,335
		\$ 10,151,377		\$ 7,229,723		\$ 4,881,089

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

Plan	2021					
	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS		\$ (1,790,116)		\$ (1,622,000)		\$ (1,418,011)
OPERS		(1,043,097)		(1,018,280)		(990,513)
		\$ (2,833,213)		\$ (2,640,280)		\$ (2,408,524)

Changes in Health Care Cost Trend Rate

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

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, 2020 and December 31, 2020, respectively, certain assumption changes were made by the plans. The OPERS OPEB discount rate was increased from 3.16 percent to 6.0 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2020. 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, 2021 and 2020. 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, 2021 and 2020, employee contributions totaled \$534,523 and \$571,528, and the University recognized pension expense of \$591,242 and \$636,650, 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 2021, 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	\$250,000 (IUC-IC Pool)	\$100,000
	\$100,000,000	\$350,000 (Pool)
	\$1,500,000,000 ⁽¹⁾ excess \$100,000,000	N/A
Fine Arts	\$100,000,000 ⁽¹⁾	\$25,000 except Nil for Non- Owned Fine Arts
Standalone Terrorism	\$600,000,000 ⁽¹⁾	\$100,000
Automobile Physical Damage	Actual Cash Value	\$1,000
IUC-IC Casualty Pool	\$900,000	\$100,000
General Liability	\$10,000,000 ⁽²⁾	N/A
Automobile Liability	\$10,000,000 ⁽²⁾	N/A
Educator's Legal Liability	\$10,000,000 ⁽²⁾	N/A
1st Excess Liability	\$20,000,000 excess \$10,000,000 ⁽¹⁾	N/A
1st Excess Educator's Legal Liability	\$20,000,000 excess \$10,000,000 ⁽¹⁾	N/A
2nd Excess Educator's Legal Liability	\$5,000,000 excess \$30,000,000 ⁽¹⁾	N/A
Crime	\$5,000,000	\$100,000
Excess Social Engineering	\$750,000 ⁽³⁾	N/A ⁽³⁾
Fiduciary	\$2,000,000	\$25,000
Medical Malpractice	\$1,000,000 occ./ \$3,000,000 agg.	\$25,000
Foreign Package Liability	\$1,000,000 ⁽¹⁾	-
Special Accident	\$20,000,000 ⁽¹⁾	-
Pollution	\$5,000,000 ⁽¹⁾	\$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

(3) Shared with Cleveland State, NEOMED, U of Akron, Wright State & Youngstown State; this coverage is excess the coverage provided by the Crime Policy

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

On July 1, 2020, the University enter into an agreement with Cincinnati State Technical and Community College, Clark State Community College, and Southern State Community College to establish a joint self-insurance program for the provision of health care benefits to the eligible employees of each school and their eligible dependents (the "Program") under authority of Ohio Revised Code Section 9.833. The Program shall provide cooperatively for the provision of group employee benefits, which may include without limitation medical, prescription drug, dental, vision, flexible spending accounts, wellness, and other benefits and services necessary to operate the Program, solely for eligible participants of the public colleges and university adopting the Program.

Note 14 – Risk Management (Continued)

The University maintained a self-insured healthcare plan that ended June 30, 2020.

Changes in the self-insurance claims liability for the years ended June 30, 2021, 2020, and 2019 are summarized as follows:

	2021	2020	2019
Accrued claims liability - Beginning of year	\$ 233,187	\$ 284,468	\$ 356,740
Current year claims	5,143,988	3,482,867	3,480,085
Claims payments	(4,971,408)	(3,534,148)	(3,552,357)
Accrued claims liability - End of year	<u>\$ 405,767</u>	<u>\$ 233,187</u>	<u>\$ 284,468</u>

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, 2021 and 2020 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

Shawnee State University

Notes to Financial Statements June 30, 2021 and 2020

Note 15 - Component Unit Disclosure (Continued)

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.

The fair value of investments at June 30, 2021 and 2020, by classification, is as follows:

	2021	2020
U.S. government securities	\$ 1,528,742	\$ 2,004,868
Foreign bond issues	491,588	184,708
Mutual funds:		
Equity	14,219,458	10,567,607
Fixed income	3,463,572	3,249,639
Corporate bond issues	1,718,311	1,516,612
Limited Partnership	46,582	48,577
Total	\$ 21,468,253	\$ 17,572,011

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021

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, 2021
U.S. government securities	\$ 1,528,742	\$-	\$-	\$ 1,528,742
Mutual funds:				
Equity	14,219,458	-	-	14,219,458
Fixed income	3,463,572	-	-	3,463,572
Foreign bond issues	-	491,588	-	491,588
Corporate bond issues	-	1,718,311	-	1,718,311
Beneficial interest in trusts	-	-	953,289	953,289
Measured using NAV as a practical expedient:				
Partnership	-	-	-	46,582
Total assets	\$ 19,211,772	\$ 2,209,899	\$ 953,289	\$ 22,421,542

Note 15 - Component Unit Disclosure (Continued)

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
Total assets	<u>\$ 15,822,114</u>	<u>\$ 1,701,320</u>	<u>\$ 773,006</u>	<u>\$ 18,345,017</u>

Fixed Assets

Property and equipment consist of the following:

	2021	2020
Land	\$ 2,011,200	\$ 2,011,200
Equipment and furniture	81,202	81,202
Buildings	8,942,735	8,942,735
Construction in progress	302,123	33,800
Total property and equipment	<u>11,337,260</u>	<u>11,068,937</u>
Accumulated depreciation	<u>1,575,048</u>	<u>1,340,809</u>
Net property and equipment	<u>\$ 9,762,212</u>	<u>\$ 9,728,128</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, then exercised a second option to extend the maturity date to February 25, 2028. At June 30, 2021 and 2020, the outstanding principal balance of the note was \$3,339,113 and \$3,523,502, respectively.

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 June 30, 2020, 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 \$1,000,416 during the year ended June 30, 2021 and \$1,774,446 during the year ended June 30, 2020. Administrative expenses of \$289,704 in fiscal year 2021 and \$417,116 in fiscal year 2020 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. There was no payable to the University at June 30, 2021.

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was \$17,668 and \$19,837 as of June 30, 2021 and 2020, 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 \$330,485 and \$358,719 during the years ended June 30, 2021 and 2020, respectively. The Foundation has recorded a grant payable to the University at June 30, 2021 and 2020 in the amount of \$177,236 and \$162,340. 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

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

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:							
As a percentage	0.0923%	0.0916%	0.0999%	0.1057%	0.11182%	0.10962%	0.11347%
Amount	\$ 22,335,934	\$ 20,245,020	\$ 21,971,679	\$ 25,109,186	\$ 37,430,954	\$ 30,295,455	\$ 27,600,967
University's covered employee payroll	\$ 8,792,043	\$ 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	254.05%	181.51%	204.43%	221.03%	275.31%	264.89%	264.37%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	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

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:							
As a percentage	0.0595%	0.0660%	0.0694%	0.07287%	0.07976%	0.08469%	0.08633%
Amount	\$ 8,717,478	\$ 12,986,955	\$ 18,960,124	\$ 11,380,348	\$ 18,089,973	\$ 14,649,733	\$ 10,394,787
University's covered employee payroll	\$ 10,962,843	\$ 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	79.52%	133.22%	179.42%	110.13%	197.95%	134.47%	95.37%
Plan fiduciary net position as a percentage of the total pension liability	87.21%	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

STRS Schedule of University Pension Contributions

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,534,798	\$ 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	\$ 1,534,798	\$ 1,561,516	\$ 1,504,712	\$ 1,590,400	\$ 1,574,598	\$ 1,655,224	\$ 1,623,157
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 8,792,043	\$ 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%	14.00%

OPERS Schedule of University Pension Contributions

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,230,886	\$ 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	\$ 1,230,886	\$ 1,364,769	\$ 1,479,444	\$ 1,446,721	\$ 1,279,405	\$ 1,495,704	\$ 1,534,786
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 10,962,843	\$ 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%	14.00%

Changes of benefit terms.

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

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

Changes of assumptions.

STRS: 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 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, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to percent 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 change from RP-2000 to RP-2014. During the plan year ended December 31, 2018, the discount rate was reduced from 7.5 percent to 7.2 percent. 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:				
As a percentage	0.0923%	0.0916%	0.0999%	0.10570%
Amount	-\$1,622,000	-\$1,516,000	-\$1,606,000	\$ 4,124,011
University's covered payroll	\$8,792,043	\$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	(18.45%)	(13.59%)	(14.94%)	36.30%
Plan fiduciary net position as a percentage of the total OPEB liability	182.10%	174.70%	176.00%	47.11%

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

Liability

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:				
As a percentage	0.0572%	0.0633%	0.0669%	0.07287%
Amount	-\$1,018,280	\$8,745,723	\$8,716,574	\$ 7,650,350
University's covered payroll	\$10,962,843	\$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	(9.29%)	89.71%	82.49%	74.03%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%

STRS Schedule of University Contributions

	<u>2021</u>	<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	\$8,792,043	\$11,153,686	\$10,747,943	\$ 11,360,000
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

OPERS Schedule of University Contributions

	<u>2021</u>	<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	\$10,962,843	\$9,748,350	\$10,567,457	\$ 10,333,800
Contributions as a percentage of covered payroll	0.00%	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, 2020.

OPERS: There were no significant changes in benefit terms affecting the OPERS plans for the plan year ended December 31, 2020.

Changes of assumptions.

STRS: There were no significant changes in assumptions during the plan year ended June 30, 2020. During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The health care trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate for plan year June 30, 2017 to (5.23) percent to 9.62 percent initial and 4 percent ultimate for plan year ended June 30, 2018. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent based on the cash flow analysis.

OPERS: During the plan year ended December 31, 2020, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.5 percent initial and 3.50 percent ultimate to 8.5 percent initial and 3.50 percent ultimate. The discount rate was increased from 3.16 percent to 6.00 percent.

During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. 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

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, 2021 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 22, 2021.

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 22, 2021

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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the OMB Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as Findings 2021-001 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance 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.

To the Board of Trustees
Shawnee State University

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.

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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 of those charged with governance.

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 significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

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

October 22, 2021

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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:				
Direct from Federal Agency - Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	\$ -	\$ 105,775
Federal College Work-Study	84.033	N/A	-	74,258
Federal Pell Grant Program	84.063	N/A	-	5,798,291
Federal Direct Loan Program	84.268	N/A	-	13,596,989
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N/A	-	75,268
Total Student Financial Assistance Cluster			-	19,650,581
TRIO Cluster:				
Educational Opportunity Centers	84.066A	N/A	-	454,884
Upward Bound Math Science	84.047M	N/A	-	302,982
Total TRIO Cluster			-	757,866
Special Education Cluster (IDEA):				
Passed through the Ohio Department of Education:				
Special Education Grants to States - TVI Collaborative	84.027	N/A	-	663,272
Special Education Grants to States - Deaf/Hard of Hearing	84.027	N/A	-	517,244
Passed through University of Cincinnati:				
Special Education Grants to States - Strategic Partnering (SPICE)	84.027	012122-003	-	51,002
Special Education Grants to States - Extended School Year (ESY2)	84.027	012122-003	-	38,337
Total Special Education Cluster (IDEA)			-	1,269,855
Higher Education Institutional Aid	84.031A	N/A	-	484,429
Education Stabilization Fund:				
COVID-19: Higher Education Emergency Relief Fund - Student Portion	84.425E	N/A	-	2,986,068
COVID-19: Higher Education Emergency Relief Fund - Institutional Portion	84.425F	N/A	-	6,042,283
COVID-19: Higher Education Emergency Relief Fund - Strengthening Institutions	84.425M	N/A	-	407,185
Passed through the Ohio Department of Education -				
COVID-19: Governor's Emergency Education Relief Fund (GEER)	84.425C	N/A	-	5,505
Total Education Stabilization Fund			-	9,441,041
Passed through the Ohio Department of Education:				
Twenty-First Century Community Learning Centers	84.287	016863	-	474,156
Striving Readers	84.371C	N/A	-	91,827
Special Education - State Personnel Development	84.323A	N/A	-	18,154
Total U.S. Department of Education			-	32,187,909
Department of Agriculture - Passed through Ohio		16-CU, 21-CU,		
Department of Education - Child and Adult Care Food Program	10.558	21-FU	-	19,834
Department of Commerce -				
Economic Development Cluster - Economic Adjustment Assistance	11.307	N/A	-	262,277

Shawnee State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal/Pass- through Grant Number	Total Amount Provided to Subrecipients	Expenditures
Department of Justice/Bureau of Justice Assistance - Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ -	\$ 23,582
Department of Labor - H-1B Job Training Grants - Ohio Manufacturing Workforce Partnership	17.268	N/A	-	55,864
Department of Treasury - Passed through the Ohio Department of Education: COVID-19: Coronavirus Relief Fund	21.019	N/A	-	2,716,439
COVID-19: Coronavirus Relief Fund - Mental Health Support	21.019	N/A	-	49,028
Total Coronavirus Relief Fund			-	2,765,467
Appalachian Regional Commission: Appalachian Area Development	23.002	N/A	-	582,266
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	-	193,299
Total Appalachian Regional Commission			-	775,565
Department of Health and Human Services - Mental and Behavioral Health Education and Training Grants	93.732	N/A	-	58,074
Corporation for National and Community Service - AmeriCorps - Project Bear	94.006	N/A	-	136,276
Total federal expenditures			<u>\$ -</u>	<u>\$ 36,284,848</u>

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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, 2021. 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 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, except for expenditures related to CFDA 21.019, Coronavirus Relief Fund (CRF). CRF does not apply 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*, but rather applies the U.S. Department of the Treasury's guidance and frequently asked questions, as outlined in the 2021 Compliance Supplement. The 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, 2021, 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 (SEOG) 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, 2021

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? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes _____ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, 84.268, 84.379	Student Financial Assistance Cluster	Unmodified
84.425C, 84.425E, 84.425F, 84.425M	Education Stabilization Fund	Unmodified
21.019	Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$1,093,996

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, 2021

Section III - Federal Program Audit Findings

Reference Number	Finding
2021-001	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN Nos. 84.425E and 84.425F; Department of Education; Higher Education Emergency Relief Fund Student Portion and Higher Education Emergency Relief Fund Institutional Portion</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - CARES Act 18004(e) and the CRRSAA 314(e) require an institution receiving funds under HEERF I and HEERF II to submit a report to the secretary, at such time in such a manner as the secretary may require. ARP Act 2003 specifies that the same terms and conditions of CRRSAA 314 apply to HEERF III funds. While the acts do not explicitly identify procedures by which institutions must report on their uses of HEERF grant funds, pursuant to these requirements, the Department of Education required quarterly public reporting of student portion and institutional portion awards.</p> <p>Condition - The University did not complete all required quarterly public reporting for the Higher Education Emergency Relief Fund student portion or institutional portion awards as required during the year ended June 30, 2021.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - The University did not complete the required quarterly public reporting for the Higher Education Emergency Relief Fund student portion or institutional portion awards for the quarters ending December 2020, March 2021, or June 2021.</p> <p>Cause and Effect - The University did not track all due dates and reporting requirements in order to ensure that the quarterly public reporting was completed at the frequency required.</p> <p>Recommendation - We recommend the University put in place a process in order to ensure that all report due dates are tracked to ensure that all required reports are submitted.</p> <p>Views of Responsible Officials and Corrective Action Plan - Due to the addition of multiple funding sources and amounts of awards related to COVID-19, as well as revisions to the guidelines for allowable uses of the funds (such as allowance for lost revenue capture) during fiscal year 2021, the allocation of expenditures to the appropriate awards was being constantly evaluated. Due to the significant impact some of these changes would have on our reports, the University deferred submission of the final versions of the required reports instead of filing initial reports and several subsequent revisions. Quarterly reports for fiscal year 2021 will be completed and posted to the appropriate websites. Quarterly reports for fiscal year 2022 will be prepared and posted by the required deadline. The 2022 first quarter student and institutional expenditure reports have already been posted as required.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-002	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN No. 84.425F; Department of Education; Higher Education Emergency Relief Fund Institutional Portion</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness</p> <p>Repeat Finding - No</p> <p>Criteria - Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards: be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles, be adequately documented, and not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. (2 CFR 200.403(a),(f),(g))</p> <p>Condition - The University charged unallowable expenditures and lost revenue to the grant, as they were for activities previously charged to the grant or not calculated properly.</p> <p>Questioned Costs - \$141,477</p> <p>Identification of How Questioned Costs Were Computed - Questioned costs were determined based on one amount that was previously charged during the year ended June 30, 2020 and had already been drawn down on the grant. Other errors identified were corrected by management.</p> <p>Context - The University charged a payment to a third-party housing contractor related spring 2020 housing of \$141,477 in addition to charging housing refunds paid to students for related housing for spring 2020 during the year ended June 30, 2020. As such, the same activity was reimbursed by the grant twice.</p> <p>In addition, the University's lost revenue calculations were initially overstated by \$360,826 due to calculation errors and general ledger entries recorded after the calculation was completed. The University corrected the errors in the calculation, and, as such, there is no questioned cost related to the lost revenue error.</p> <p>Cause and Effect - The University did not consider all costs charged to the grant that could be related to previously charged costs for the same activity and, therefore, not allowable under uniform guidance cost principles. Additionally, the University did not have an adequate review process in place over the lost revenue calculation.</p> <p>As a result, the University overstated expenditures and lost revenue charged to the grant.</p> <p>Recommendation - We recommend the University implement a detailed review process over lost revenue calculations. We also recommend the University consider whether costs charged to the grant may be related to the same activity and, therefore, not allowable under uniform guidance cost principles.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-002 (cont.)	<p>Views of Responsible Officials and Planned Corrective Actions - The University believes that the \$141,477 transaction noted as a questioned cost properly met the conditions to be considered an allowable cost of the grant. The cited payments were made to two separate groups (third-party housing contractor and university students in said contractor provided housing) related to the closing of the University during the spring 2020 term due to COVID-19 restrictions. After multiple layers of review, the University determined that these two payments covered two distinct types of losses (refund of housing fees to students required to leave housing and payment to the housing contractor for loss of contracted housing revenue) as a direct result of the University's closure due to COVID-19 restrictions. To resolve the issue and for future reference, the University will be providing details of the transactions to the Department of Education (ED) requesting a determination of the allowability of the questioned costs. The University will continue to refer to the Higher Education Relief Education Fund (HEERF) FAQs, follow ED guidance, and require a review and approval by appropriate management of all costs charged to the grant. The University will also require a review and approval by both the controller and vice president for finance and administration of all future lost revenue calculations prior to reporting these costs against the grant.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-003	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN Nos. 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program.</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. (34 CFR 668.173(b))</p> <p>Condition - The University did not return Title IV funds to the Department of Education within the required time frame for certain students who required a return of funds.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - Of the 25 withdrawn students tested for proper return of Title IV, funds for 6 students requiring a return were not returned by the University to ED within the required time frame.</p> <p>Cause and Effect - The University had a change in personnel in the financial aid department and did not have a process in place to ensure calculations performed were processed and returned to ED within the required time frame, which led to returns of Title IV funds to ED to be completed outside the required time frame.</p> <p>Recommendation - We recommend that the University institute a process to ensure that all returns of Title IV aid are calculated and returned within the required time frame.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Reports will be run each week to identify withdrawn students with federal financial aid. R2T4 calculations will be completed. Common origination and disbursement (COD) exports will be run each day. COD will be monitored to ensure returns are being completed in a timely manner.</p>



Shawnee State University

October 22, 2021

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:

2020-001

Fiscal Year in Which the Finding Initially Occurred:

Year ended June 30, 2020

Federal Program, ALN Number and Name:

ALN 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

Original Finding Description:

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

Status/Partial Corrective Action (as applicable):

Fully Corrected

Planned Corrective Action:

N/A

Prior Year Finding Number:

2020-002

Fiscal Year in Which the Finding Initially Occurred:

Year ended June 30, 2020

Federal Program, ALN Number and Name:

ALN 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):

Fully Corrected

Planned Corrective Action:

N/A



Shawnee State University

October 22, 2021

Corrective Action Plan

Finding Number: 2021-001

Assistance Listing Number, Federal Agency, and Program Name: ALN 84.425E and 25F; Department of Education; Higher Education Emergency Relief Fund-Student Portion and Higher Education Emergency Relief Fund-Institutional Portion

Condition: The University did not complete all required quarterly public reporting for the Higher Education Emergency Relief Fund student portion or institutional portion awards as required during the year ended June 30, 2021.

Planned Corrective Action: Due to the addition of multiple funding sources and amounts of COVID 19 related awards as well as revisions to the guidelines for allowable uses of the funds (such as allowance for lost revenue capture) during fiscal year 2021, the allocation of expenditures to the appropriate awards was being constantly evaluated. Due to the significant impact some of these changes would have on our reports, the University deferred submission of the final versions of the required reports instead of filing initial reports and several subsequent revisions. Quarterly reports for fiscal year 2021 will be completed and posted to the appropriate websites. Quarterly reports for fiscal year 2022 will be prepared and posted by the required deadline. The 2022 first quarter student and institutional expenditure reports have already been posted as required.

Contact person responsible for corrective action: Greg A. Ballengee, Controller

Anticipated Completion Date: 11/30/2021

Finding Number: 2021-002

Assistance Listing Number, Federal Agency, and Program Name: ALN 84.425F; Department of Education; Higher Education Emergency Relief Fund-Institutional Portion

Condition: The University did not have an adequate review process in place over the lost revenue calculation. Additionally, the University did not consider all costs charged to the grant that could be related to previously charged costs for the same activity and, therefore, not allowable under uniform guidance cost principles.



Planned Corrective Action: The University believes that the \$141,477 transaction noted as a Questioned Cost properly met the conditions to be considered an allowable cost of the grant. The cited payments were made to two separate groups (third party housing contractor and University students in said contractor provided housing) related to the closing of the University during the spring 2020 term due to COVID 19 restrictions. After multiple layers of review, the University determined that these two payments covered two distinct types of losses (refund of housing fees to students required to leave housing and payment to housing contractor for loss of contracted housing revenue) as a direct result of the University's closure due to COVID 19 restrictions. To resolve the issue and for future reference, the University will be providing details of the transactions to the Department of Education (ED) requesting a determination of the allowability of the questioned costs. The University will continue to refer to the Higher Education Relief Education Fund (HEERF) FAQs, follow ED guidance and continue to require a review and approval by appropriate management of all costs charged to the grant. The University will also require a review and approval by both the Controller and Vice President for Finance and Administration of all future lost revenue calculations prior to reporting these costs against the grant.

Contact person responsible for corrective action: Greg A. Ballengee, Controller

Anticipated Completion Date: Questioned Cost Determination Request: 11/01/2021, Lost Revenue Review Procedures: 10/25/2021

Finding Number: 2021-003

Assistance Listing Number, Federal Agency, and Program Name: ALN Nos. 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program.

Condition: The University did not return Title IV funds to the Department of Education within the required timeframe for certain students who required a return of funds.

Planned Corrective Action: Reports will be run each week to identify withdrawn students with federal financial aid. R2T4 calculations will be completed. Common Origination and Disbursement (COD) exports will be run each day. COD will be monitored to ensure returns are being completed in a timely manner.

Contact person responsible for corrective action: Doug Shoemaker, Coordinator, Student Business Center and Nicole Neal, Director, Student Business Center

Anticipated Completion Date: 11/01/2021